THE YORK WATER COMPANY
DATA REQUIREMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
RATE OF RETURN CAPITALIZATION RATIOS

53.53 VII. D. 1. Provide capitalization and capitalization ratios for the last 5-year period and projected through the next two years (with short-term debt and without short-term debt for the company, parent and system (consolidated).

a. Provide year-end interest coverages before and after taxes for the last three years and at the latest date (indenture and SEC bases) for the company, parent and system (consolidated).

b. Provide year-end preferred stock dividend coverages for last three years and at latest date (character and SEC bases).

Response:

	2017	2018	2019	2020	2021	2022	2023	2024
Capitalization (Without Short Term Debt)								
Long Term Debt	87,444,324	87,399,879	96,370,000	119,870,000	119,870,000	142,370,000	174,870,000	174,870,000
Common Equity	119,405,538	126,195,178	134,185,416	143,252,147	152,621,818	203,381,536	211,794,289	211,777,106
	206,849,862	213,595,057	230,555,416	263,122,147	272,491,818	345,751,536	386,664,289	386,647,106
Capitalization (With Short Term Debt)								
Long Term Debt	87,444,324	87,399,879	96,370,000	119,870,000	119,870,000	142,370,000	174,870,000	174,870,000
Short Term Debt	6,389,374	9,507,719	7,671,604	6,699,697	29,319,981	2,708,333	884,451	2,653,353
Common Equity	119,405,538	126,195,178	134,185,416	143,252,147	152,621,818	203,381,536	211,794,289	211,777,106
	213,239,236	223,102,776	238,227,020	269,821,844	301,811,799	348,459,869	387,548,740	389,300,458
Capitalization Ratios (Without Short Term Debt)								
Long Term Debt	42.3%	40.9%	41.8%	45.6%	44.0%	41.2%	45.2%	45.2%
Common Equity	57.7%	59.1%	58.2%	54.4%	56.0%	58.8%	54.8%	54.8%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Capitalization Ratios (With Short Term Debt)								
Long Term Debt	41.0%	39.2%	40.5%	44.4%	39.7%	40.9%	45.1%	44.9%
Short Term Debt	3.0%	4.3%	3.2%	2.5%	9.7%	0.8%	0.2%	0.7%
Common Equity	56.0%	56.6%	56.3%	53.1%	50.6%	58.4%	54.6%	54.4%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

	2019	2020	2021
Before Tax Interest Coverage (Including Short Term Debt)	4.25	4.95	4.68
Before Tax Interest Coverage (Excluding Short Term Debt)	4.36	5.09	4.81
After Tax Interest Coverage (Including Short Term Debt)	3.81	4.53	4.45
After Tax Interest Coverage (Excluding Short Term Debt)	3.91	4.65	4.57

The Company has no preferred stock issued.

THE YORK WATER COMPANY
DATA REQUIREMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
RATE OF RETURN LATEST PROSPECTUS

53.53 VII. Rate of Return

D. Water and Wastewater Utilities

2. Provide latest prospectus (company and parent).

Response: In April, 2022, the Company closed an underwritten public offering of 976,600 shares and an over-allotment of 146,340 shares. Janney Montgomery Scott LLC was the underwriter in the offering. Company received net proceeds in the offering, after deducting offering expenses and underwriter's discounts and commissions, of approximately $43.0 million. The net proceeds were used for general corporate purposes, including the Company's capital investment program, repayment of outstanding indebtedness, and potential acquisitions.

A copy of the Prospectus Supplement, dated April 1, 2022, issued in connection with the common stock offering is attached.

PROSPECTUS SUPPLEMENT
(To Prospectus Dated October 13, 2021)

THE YORK WATER COMPANY

"That good York water"
SINCE 1816

975,600 Shares of Common Stock

The York Water Company ("York Water" or the "Company") is offering 975,600 shares of its common stock, no par value ("York Water Common Stock").

York Water Common Stock is listed on the NASDAQ Global Select Market under the symbol "YORW." On March 30, 2022, the closing price of York Water Common Stock on the NASDAQ Global Select Market was $45.45 per share.

Investing in York Water Common Stock involves risks. See "Risk Factors" beginning on page S-6 of this prospectus supplement, page 3 of the accompanying prospectus and in the documents we incorporate by reference in this prospectus supplement and the accompanying prospectus.

	Per Share	Total
Public offering price	$41.00	$39,999,600
Underwriting Discounts and Commissions(1)	$ 1.64	$ 1,599,984
Proceeds, before expenses, to York Water	$39.36	$38,399,616

(1) Assumes no exercise of the underwriter's option to purchase additional shares, described below.

The underwriter has an option, exercisable within 30 days after the date of this prospectus supplement, to purchase up to 146,340 additional shares of York Water Common Stock directly from us on the same terms set forth above.

Neither the United States Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the related prospectus. Any representation to the contrary is a criminal offense.

No person has been authorized to give any information or to make any representations other than those contained in this prospectus supplement. If any other information or representations are given or made, you must not rely on them as having been authorized.

The underwriter expects to deliver the shares of York Water Common Stock to purchasers on or about April 5, 2022.

Janney Montgomery Scott

This Prospectus Supplement is dated April 1, 2022

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PROSPECTUS SUPPLEMENT

PROSPECTUS

ABOUT THIS PROSPECTUS SUPPLEMENT

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement to ‘‘York Water,’’ ‘‘Company,’’ ‘‘we,’’ ‘‘us,’’ ‘‘our’’ or similar references mean The York Water Company. In this prospectus supplement references to ‘‘$’’ or ‘‘dollars’’ are to the lawful currency of the United States.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of York Water Common Stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus dated September 27, 2021, including the documents incorporated by reference therein, provides more general information. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or in any document incorporated by reference that was filed with the United States Securities and Exchange Commission (the ‘‘SEC’’) before the date of this prospectus supplement, on the other hand, you should rely on the information in this prospectus supplement. If any statement in one of these documents is inconsistent with a statement in another document having a later date (for example, a document incorporated by reference in this prospectus supplement or in the accompanying prospectus) the statement in the document having the later date modifies or supersedes the earlier statement. This prospectus supplement and the accompanying prospectus are part of a registration statement on Form S-3 we have filed with the SEC, under the Securities Act of 1933, as amended (the ‘‘Securities Act’’). This prospectus supplement and the accompanying prospectus do not contain all of the information in the registration statement. We have omitted certain parts of the registration statement, as permitted by the rules and regulations of the SEC. You may find the registration statement, including exhibits, on the SEC’s website at www.sec.gov. See ‘‘Where You Can Find More Information’’ and ‘‘Incorporation of Certain Documents by Reference.’’

We have not, and the underwriter has not, authorized anyone to provide you with any information other than that contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or in any free writing prospectus we may provide to you in connection with this offering. Neither we nor the underwriter take any responsibility for, or provide any assurances as to the reliability of, any additional or different information that others may give you. You should assume that the information contained in this prospectus supplement, the accompanying prospectus and any free writing prospectus we may provide to you in connection with this offering is accurate only as of their respective dates or as of the respective dates specified in such information, as applicable, and the information contained in documents incorporated by reference is accurate only as of the respective dates of those documents or as of the respective dates specified in such information, as applicable, in each case regardless of the time of delivery of this prospectus supplement or the accompanying prospectus or any such free writing prospectus or any sale of York Water Common Stock. Our business, financial condition, results of operations and prospects may have changed since those dates.

This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer to sell or a solicitation of an offer to buy shares of York Water Common Stock in any state or other jurisdiction to any person to whom it is unlawful to make such an offer or solicitation.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We discuss in this prospectus supplement, the accompanying prospectus and in documents that we have incorporated into this prospectus by reference certain matters which are not historical facts, but which are "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Words such as "may," "should," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify "forward-looking statements." We intend these forward-looking statements to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this prospectus supplement, the accompanying prospectus and the documents that we incorporate by reference, and in particular those factors referenced in the "Risk Factors" sections in this prospectus supplement, the accompanying prospectus and the documents we incorporate by reference. These forward-looking statements include, but are not limited to statements regarding:

- the amount and timing of rate changes and other regulatory matters including the recovery of costs recorded as regulatory assets;
- expected profitability and results of operations;
- trends;
- goals, priorities and plans for, and cost of, growth and expansion;
- strategic initiatives;
- availability of water supply;
- water usage by customers; and
- the ability to pay dividends on common stock and the rate of those dividends.

These forward-looking statements reflect what the Company currently anticipates will happen. What actually happens could differ materially from what it currently anticipates will happen. The Company does not intend to make a public announcement when forward-looking statements in this prospectus supplement are no longer accurate, whether as a result of new information, what actually happens in the future or for any other reason. Important matters that may affect what will actually happen include, but are not limited to:

- changes in weather, including drought conditions or extended periods of heavy rainfall;
- natural disasters, including pandemics such as the current outbreak of the novel strain of coronavirus known as "COVID-19" and the effectiveness of the Company's pandemic plans;
- levels of rate relief granted;
- the level of commercial and industrial business activity within the Company's service territory;
- construction of new housing within the Company's service territory and increases in population;
- changes in government policies or regulations, including the tax code;
- the ability to obtain permits for expansion projects;
- material changes in demand from customers, including the impact of conservation efforts which may impact the demand of customers for water;
- changes in economic and business conditions, including interest rates;
- loss of customers;
- changes in, or unanticipated, capital requirements;
- the impact of acquisitions;
- changes in accounting pronouncements;
- changes in the Company's credit rating or the market price of its common stock; and
- the ability to obtain financing.

These forward-looking statements are neither promises nor guarantees of future performance due to a variety of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those indicated by these forward-looking statements, as well as those risks more fully discussed in the sections of this prospectus supplement and the accompanying prospectus entitled ‘‘Risk Factors’’ and the risk factors and cautionary statements described in other documents that we file from time to time with the SEC, including in our most recent Annual Report on Form 10-K for the year ended December 31, 2021.

Given these uncertainties, readers should not place undue reliance on our forward-looking statements. These forward-looking statements speak only as of the date on which such statements were made and are not guarantees of future performance. Except as may be required by applicable law, we do not undertake to update any forward-looking statements after the date of this prospectus or the respective dates of documents incorporated by reference herein or therein that include forward-looking statements.

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information appearing elsewhere or incorporated by reference in this prospectus supplement and accompanying prospectus and may not contain all of the information that is important to you. This prospectus supplement and the accompanying prospectus include or incorporate by reference information about the shares we are offering as well as information regarding our business and detailed financial data. You should read this prospectus supplement, the accompanying prospectus and any information incorporated by reference herein and therein in their entirety before making an investment decision.

The terms "York Water," "Company," "we," "us," "our" or similar references mean The York Water Company. The term "you" refers to a prospective investor. To understand the offering fully and for a more complete description of the offering you should read this entire document carefully, including especially the "Risk Factors" sections of this prospectus supplement and the accompanying prospectus, as well as the documents to which we have referred you in the section entitled "Where You Can Find More Information."

About The York Water Company

We were organized under the laws of the Commonwealth of Pennsylvania in 1816 and are the oldest investor-owned water utility in the United States. The primary business of the Company is to impound, purify to meet or exceed safe drinking water standards and distribute water. We also own and operate two wastewater collection systems and five wastewater collection and treatment systems. We operate within our franchised water and wastewater territory, which covers portions of 51 municipalities within three counties in south-central Pennsylvania. We are regulated by the Pennsylvania Public Utility Commission, or PPUC, for both water and wastewater in the areas of billing, payment procedures, dispute processing, terminations, service territory, debt and equity financing and rate setting. We must obtain PPUC approval before changing any practices associated with the aforementioned areas.

Water service is supplied through our own distribution system. We obtain the bulk of its water supply from both the South Branch and East Branch of the Codorus Creek, which together have an average daily flow of 73.0 million gallons. This combined watershed area is approximately 117 square miles. We have two reservoirs, Lake Williams and Lake Redman, which together store approximately 2.2 billion gallons of water. We supplement our reservoirs with a 15-mile pipeline from the Susquehanna River to Lake Redman which provides access to an additional supply of 12.0 million gallons of untreated water per day. We also own nine wells which are capable of providing a safe yield of approximately 597,000 gallons per day to supply water to the customers of our satellite systems in Adams County. As of December 31, 2021, our average daily availability was 39.6 million gallons, and average daily consumption was approximately 20.1 million gallons. Our service territory had an estimated population of 204,000 as of December 31, 2021. Industry within our service territory is diversified, manufacturing such items as fixtures and furniture, electrical machinery, food products, paper, ordnance units, textile products, air conditioning systems, laundry detergent, barbells, and motorcycles.

Corporate Information

Our principal executive offices are located at 130 East Market Street, York, Pennsylvania 17401. Our telephone number is (717) 845-3601. Our website address is www.yorkwater.com. The information contained on our website is not incorporated by reference into, and does not form any part of, this preliminary prospectus.

Our Mission Statement

The York Water Company is committed to providing our customers with safe, dependable, high-quality water, wastewater, and related services that meet or exceed customer expectations at reasonable rates in an environment encouraging dedicated employees to achieve their highest standard of performance while earning a fair return for our shareholders.

Our Business Strategy

Invest in Projects, Products and Services that Complement our Core Water and Wastewater Competencies and Extend the Reach of Our Utility Services to Additional Customers

We continuously upgrade and replace utility infrastructure as well as enhance the integrity and reliability of assets to better serve current and future generations of water and wastewater customers. Each acquisition requires a detailed asset management inventory and improvement program to improve acquired assets to our operating, reliability, and redundancy standards. We have identified $94.0 million of capital expenditure projects in 2022 and 2023 for routine transmission and distribution projects as well as additional main extensions, dam improvements, an elevated water tank, water treatment plant construction, and various replacements of infrastructure.

Timely and Adequate Recovery of Infrastructure Investments and Other Costs to Maintain Service Quality

From time to time, we file applications for rate increases with the PPUC and are granted rate relief as a result of such requests. Most recently, the PPUC authorized an increase in rates effective March 1, 2019. We anticipate filing a rate increase request in 2022. The PPUC permits water utilities to collect a distribution system improvement charge, or DSIC. The DSIC allows us to add a charge to customers' bills for qualified replacement costs of certain infrastructure without submitting a rate filing. This surcharge mechanism typically adjusts periodically based on additional qualified capital expenditures completed or anticipated in a future period.

Prudent Acquisition of Water and Wastewater Utilities

Numerous municipally-owned and investor-owned regulated water and wastewater utility systems operate in or near our service territory. We have extensive experience acquiring and integrating other market participants and assets. In 2020, we acquired the wastewater collection and treatment facilities of the Letterkenny Township Municipal Authority, expanding our territory into our third county in southcentral Pennsylvania and our 51st municipality. In 2021, we acquired the wastewater collection assets of West Manheim Township adding approximately 1,800 wastewater customers. Often the acquired systems are underperforming and require capital investment to bring the systems up to our standards.

Geographic Footprint and Certificated Territory

Our certificated territory in south-central Pennsylvania positions us to serve customers who often commute to Baltimore, Maryland and Washington, DC but who prefer the quality of life and cost of living in Pennsylvania. Our organic growth has benefitted from the recent active housing market, and our developer-friendly main extension protocols entice development in and adjacent to our certificated territory.

Provide Exceptional Services and Maintain Commitment to our Status as a Trusted Brand

We take pride in our ability to provide quality and life-sustaining water and wastewater utility services. Thousands of individual homes and businesses depend on our exceptional levels of service quality. This serious responsibility to deliver value to our customers, communities and shareholders motivates us to seek out ways to continually improve our business for the benefit of customers and shareholders.

Our Competitive Strengths

Demonstrated Earnings Power

Our earnings are principally derived from the return on investment we earn on our utility assets. In the five years from 2017 to 2021, we successfully grew revenues from $48.6 million to $55.1 million. In the same period, earnings per share have risen from $1.01 to $1.30. We have provided an average return on equity of 11.0% over that period.

Operations in Constructive Regulatory Jurisdictions

We currently have our regulated utility operations in Pennsylvania which typically ranks as one of the best states in providing a constructive regulatory environment for utility operations. We have a wealth of experience working alongside regulators to provide quality water and wastewater services. Members of the management team are recruited to serve on a variety of committees and boards at the state and national level, including the American Water Works Association, the National Association of Water Companies, the Water Works Operators Association of Pennsylvania, the Pennsylvania Water Utility Council, the Pennsylvania Water Resources Advisory Council, and the Pennsylvania Technical Advisory Committee.

Significant Opportunities for Investment in Infrastructure

We are able to leverage our expertise in infrastructure improvements to improve safety and reliability throughout the territory in which we operate. We have identified approximately $94.0 million of capital expenditure projects in the next two years to provide a safe, adequate, and reliable supply of drinking water and to maintain proper handling and disposal of wastewater for our growing customer base. We are committed to redundancy in all systems, including information technology. This focus and investment mitigates risk of a potential single point of failure.

History of Dividend Growth

Our singular accomplishment of 608 consecutive dividends over 205 continuous years of operation distinguishes us from all other publicly traded utilities. We have never missed a dividend in over 200 years, which is believed to be the longest record of consecutive dividends in America. In 2021, we returned $0.76 per share in dividends to our investors. This represents a 4.0% increase over dividends paid in 2020. We have increased our dividend each year for 25 consecutive years.

Commitment to Environmental and Social Responsibility

We consider environmental and social responsibility to include environmental leadership and sustainability, operational excellence, employee engagement, safety, inclusion and diversity, active community engagement, civic and charitable involvement, and transparency. We integrate environmental and social responsibility policies and practices into our daily operations.

Dedicated Board of Directors

We are governed by an experienced and dedicated Board of Directors who are well versed in public company governance and market strategy. The Board focuses on accountability, responsibility, reliability, and innovation in setting our corporate agenda. The Board is comprised of a diverse complement of directors who appreciate the importance of our culture and history, while looking for opportunities to advance financial and operational efficiencies.

Experienced Management Team

Our senior management team is highly experienced in the water and wastewater utility industry. JT Hand, President and CEO, has been with the Company for 14 years. The team is supported by a deep roster of diverse employees in leadership positions with extensive experience in the operation of regulated utility businesses.

The Offering

The following summary contains basic information about this offering and may not contain all of the information that may be important to you. You should read this entire prospectus supplement, the accompanying prospectus, any free writing prospectus we may provide to you in connection with this offering and the documents incorporated by reference herein and therein before making an investment decision.

Issuer	The York Water Company, a Pennsylvania corporation
Description of Security Offered	975,600 shares of York Water Common Stock
Underwriter's Option	The underwriter has an option, exercisable in whole or from time to time in part, to purchase up to 146,340 additional shares of York Water Common Stock directly from us, exercisable for 30 days after the date of this prospectus supplement.
York Water Common Stock to be Outstanding Immediately after This Offering[(1)]	14,091,938 shares (or 14,238,278 shares if the underwriter exercises its option to purchase additional shares of York Water Common Stock in full).
Nasdaq Global Select Market Symbol	YORW
Annualized Dividend Rate[(2)]	$0.7796 per share
Use of Proceeds	We expect to use the net proceeds from this offering for general corporate purposes, including our capital investment program, repayment of outstanding indebtedness, and potential acquisitions. See "Use of Proceeds."
Risk Factors	Investing in York Water Common Stock involves risks. See "Risk Factors" in this prospectus supplement, the accompanying prospectus and in the documents we incorporate by reference in this prospectus supplement and the accompanying prospectus for a discussion of some of the risks and other factors you should carefully consider before deciding to invest in shares of York Water Common Stock.
Transfer Agent and Registrar	Broadridge Corporate Issuer Solutions, Inc.

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(1) In this prospectus supplement, unless otherwise indicated, the number of shares of York Water Common Stock outstanding and other information based thereon is based on 13,116,338 shares of York Water Common Stock outstanding as at March 21, 2022, and excludes:

- 75,557 shares of Common Stock that were reserved for future issuance as of December 31, 2021 under our Long Term Incentive Award Plan, as well as any automatic increases in the number of shares of our Common Stock reserved for future issuance under the such plan;

  54,021 shares of Common Stock that were reserved for future purchase as of December 31, 2021 under our Employee Stock Purchase Plan, as well as any automatic increases in the number of shares of our Common Stock reserved for future issuance under such plan; and

- 396,544 shares of Common Stock that were reserved for future purchase as of December 31, 2021 under our Dividend Reinvestment and Direct Stock Purchase and Sale, as well as any automatic increases in the number of shares of our Common Stock reserved for future issuance under such plan.

Except as otherwise indicated, all information in this prospectus supplement assumes no exercise by the underwriter of its option to purchase additional shares of our common stock.

(2) Based upon the fourth quarter of 2021 dividend rate of $0.1949 per share annualized. Future dividends, if any, may be declared and paid at the discretion of the Company's Board of Directors and will depend on our future earnings, financial condition and other factors.

Summary Financial Data

The following table sets forth summary financial data for the periods indicated. The summary financial data as of December 31, 2021, 2020 and 2019, and for each of the one-year periods ended December 31, 2021, 2020 and 2019 have been derived from our audited financial statements, which have been incorporated by reference in this prospectus supplement. The information set forth below should be read in conjunction with the Financial Statements and accompanying Notes to Financial Statements incorporated by reference in this prospectus supplement. Historical operating results are not necessarily indicative of results for any other period.

	Summary of Operations (In thousands of dollars, except per share amounts)		
For the Year	**2021**	**2020**	**2019**
Operating revenues	$ 55,119	$ 53,852	$ 51,578
Operating expenses	31,723	29,421	27,792
Operating income	23,396	24,431	23,786
Interest expense	3,705	4,177	4,758
Gain on life insurance	—	515	—
Other income (expenses), net	(1,587)	(2,153)	(2,386)
Income before income taxes	18,104	18,616	16,642
Income taxes	1,120	2,018	2,240
Net income	$ 16,984	$ 16,598	$ 14,402
Per Share of Common Stock			
Book value	$ 11.64	$ 10.97	$ 10.31
Earnings per share:			
Basic	1.30	1.27	1.11
Diluted	1.30	1.27	1.11
Weighted average number of shares outstanding during the year:			
Basic	13,076,263	13,033,681	12,964,080
Diluted	13,077,290	13,034,520	12,966,292
Cash dividends declared per share	0.7571	0.7280	0.7001
Utility Plant			
Original cost, net of acquisition adjustments	$ 482,113	$ 434,963	$ 398,065
Construction expenditures	34,409	32,123	18,425
Other			
Total assets	$ 458,853	$ 406,957	$ 363,529
Long-term debt including current portion	146,369	123,573	101,035

RISK FACTORS

Investing in York Water Common Stock involves risks. You should review and carefully consider the risks, uncertainties and other factors described below and all of the information included elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein before deciding to invest in the shares of York Water Common Stock. We also urge you to consider carefully the risks, uncertainties and other factors set forth under the heading "Cautionary Note Regarding Forward-Looking Statements". However, additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business, operations, financial condition and financial results and the value of the York Water Common Stock. The risk factors set forth in this prospectus supplement replace the risk factors set forth in the accompanying prospectus in their entirety.

Risks Related to York Water Common Stock

The price of York Water Common Stock may be volatile. This volatility may affect the price at which you could sell York Water Common Stock, and the sale or resale of substantial amounts of York Water Common Stock could adversely affect the market price of York Water Common Stock.

The price of York Water Common Stock may be volatile. This volatility may affect the price at which you could sell York Water Common Stock, and the sale or resale of substantial amounts of York Water Common Stock could adversely affect the market price of York Water Common Stock. The market price for York Water Common Stock has historically experienced, and may continue to experience, volatility. This volatility may affect the price at which you could sell York Water Common Stock, and the sale or issuance of substantial amounts of York Water Common Stock, or the perception that such sales or issuances could occur, could adversely affect the market price of York Water Common Stock. In addition, the availability for sale of substantial amounts of York Water Common Stock could adversely impact its market price. The issuance or sale of shares of York Water Common Stock, or the perception that such issuances or sales could occur, could adversely affect the market price of York Water Common Stock, even if our business is doing well. Any of the foregoing may also impair our ability to raise additional capital through the sale of shares of York Water Common Stock. The market price of York Water Common Stock may be influenced by many factors, some of which are beyond our control, including the factors discussed above under "Cautionary Note Regarding Forward-Looking Statements" or elsewhere in the accompanying prospectus and the documents incorporated by reference herein and therein and include the following:

- actual or anticipated fluctuations in our operating results or our competitors' or peers' operating results;
- actions by applicable regulatory authorities;
- announcements by us, our competitors or our partners of significant contracts, acquisitions, divestitures or strategic investments;
- our growth rate and our competitors' or peers' growth rates;
- the financial markets and general economic conditions;
- changes in stock market analyst recommendations regarding us, our competitors, our peers or the water utility industry generally, or lack of analyst coverage of York Water Common Stock;
- sales of York Water Common Stock by our executive officers, directors and significant shareholders or sales of substantial amounts of York Water Common Stock or securities convertible into or exchangeable for York Water Common Stock, including certain of our cumulative and convertible preferred stock;
- changes in the amount of York Water Common Stock dividends per share, the common stock dividends per share paid by our competitors and interest rates; and
- changes in tax laws and regulations.

There are certain risks related to conflicts of interest for insurance companies and employee benefit plans.

Any insurance company or fiduciary of a pension plan or other employee benefit plan that is subject to the prohibited transaction rules of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or the Internal Revenue Code of 1986, as amended, including an IRA or a Keogh plan (or a governmental plan to which similar prohibitions apply), and that is considering an investment in York Water Common Stock with the assets of the insurance company or the assets of such a plan, should consult with its counsel regarding whether the purchase of York Water Common Stock could be a ''prohibited transaction'' under ERISA, the Internal Revenue Code or any substantially similar prohibition. This is discussed in more detail under ''Certain ERISA Considerations'' below.

Risks Related to the Operation and Regulation of Our Business

The rates we charge our customers are subject to regulation. If we are unable to obtain government approval of our requests for rate increases, or if approved rate increases are untimely or inadequate to cover our investments in utility plant and equipment and projected expenses, our results of operations may be adversely affected.

Our ability to maintain and meet our financial objectives is dependent upon the rates we charge our customers, which are subject to approval by the PPUC. We file rate increase requests with the PPUC, from time to time, to recover our investments in utility plant and equipment and projected expenses. Any rate increase or adjustment must first be justified through documented evidence and testimony. The PPUC determines whether the investments and expenses are recoverable, the length of time over which such costs are recoverable, or, because of changes in circumstances, whether a remaining balance of deferred investments and expenses is no longer recoverable in rates charged to customers. Once a rate increase application is filed with the PPUC, the ensuing administrative and hearing process may be lengthy and costly. The timing of our rate increase requests is therefore dependent upon the estimated cost of the administrative process in relation to the investments and expenses that we hope to recover through the rate increase. In addition, the amount or frequency of rate increases may be decreased or lengthened as a result of changes in income tax laws regarding tax-basis depreciation as it applies to our capital expenditures or qualifying repair tax deductible expenditures, and by changes to income tax rates.

We can provide no assurances that future requests will be approved by the PPUC; and, if approved, we cannot guarantee that these rate increases will be granted in a timely or sufficient manner to cover the investments and expenses for which we sought the rate increase. If we are unable to obtain PPUC approval of our requests for rate increases, or if approved rate increases are untimely or inadequate to cover our investments in utility plant and equipment and projected expenses, our results of operations may be adversely affected.

We are subject to federal, state and local regulation that may impose costly limitations and restrictions on the way we do business.

Various federal, state and local authorities regulate many aspects of our business. Among the most important of these regulations are those relating to the quality of water we supply our customers, water allocation rights and the quality of the effluent we discharge from our wastewater treatment facilities. Government authorities continually review these regulations, particularly the drinking water quality regulations, and may propose new or more restrictive requirements in the future. We are required to perform water and wastewater quality tests that are monitored by the PPUC, the U.S. Environmental Protection Agency, or EPA, and the Pennsylvania Department of Environmental Protection, or DEP, for the detection of certain chemicals and compounds in our water and effluent. If new or more restrictive limitations on permissible levels of substances and contaminants in our water and wastewater are imposed, we may not be able to adequately predict the costs necessary to meet regulatory standards. If we are unable to recover the cost of implementing new water and wastewater treatment procedures in response to more restrictive quality regulations through our rates that we charge our customers, or if we fail to comply with such regulations, it could have a material adverse effect on our financial condition and results of operations.

We are also subject to water allocation regulations that control the amount of water that we can draw from water sources. The Susquehanna River Basin Commission, or SRBC, and the DEP regulate the amount of water withdrawn from streams in the watershed for water supply purposes to assure that sufficient quantities are available to meet our needs and the needs of other regulated users. In addition, government drought restrictions could cause the SRBC or the DEP to temporarily reduce the amount of our allocations. If new or more restrictive water allocation regulations are implemented or our allocations are reduced due to weather conditions, it may have an adverse effect on our ability to supply the demands of our customers, and in turn, on our revenues and results of operations.

Our business is subject to seasonal fluctuations, which could affect demand for our water service and our revenues.

Demand for our water during the warmer months is generally greater than during cooler months due primarily to additional requirements for water in connection with cooling systems, swimming pools, irrigation systems and other outside water use. Throughout the year, and particularly during typically warmer months, demand will vary with temperature and rainfall levels. If temperatures during the typically warmer months are cooler than expected, or there is more rainfall than expected, the demand for our water may decrease and adversely affect our revenues.

Weather conditions and overuse may interfere with our sources of water, demand for water services, and our ability to supply water to our customers.

We depend on an adequate water supply to meet the present and future demands of our customers and to continue our expansion efforts. Unexpected conditions may interfere with our water supply sources. Drought and overuse may limit the availability of surface and ground water. These factors might adversely affect our ability to supply water in sufficient quantities to our customers and our revenues and earnings may be adversely affected. Additionally, cool and wet weather, as well as drought restrictions and our customers' conservation efforts, may reduce consumption demands, also adversely affecting our revenue and earnings. Furthermore, freezing weather may also contribute to water transmission interruptions caused by pipe and main breakage. If we experience an interruption in our water supply, it could have a material adverse effect on our financial condition and results of operations.

The necessity for increased security has and may continue to result in increased operating costs.

We have taken steps to increase security measures at our facilities and heighten employee awareness of threats to our water supply. We have also tightened our security measures regarding the delivery and handling of certain chemicals used in our business. We have and will continue to bear increased costs for security precautions to protect our facilities, operations and supplies. We are not aware of any specific threats to our facilities, operations or supplies. However, it is possible that we would not be in a position to control the outcome of such events should they occur.

We rely on our information technology systems to help manage our operations.

We rely on our computer, information and communications technology systems in connection with the operation of our business, especially with respect to customer service and billing, accounting and, in some cases, the monitoring and operation of our operating facilities. Our computer and communications systems and operations could be damaged or interrupted by natural disasters, cyber-attacks, power loss and internet, telecommunications or data network failures or acts of war or terrorism or similar events or disruptions. Any of these or other events could cause service interruption, delays and loss of critical data or impede aspects of operations and therefore, adversely affect our financial results.

Cyber-attacks on entities around the world have caused operational failures and/or compromised corporate and personal data. Such attacks could result in the loss, or compromise, of customer, financial or operational data, disruption of billing, collections or normal field service activities, disruption of electronic monitoring and control of operational systems and delays in financial reporting and other management functions. Possible impacts associated with a cyber-incident may include remediation costs related to lost, stolen, or compromised data, repairs to data processing systems, increased cyber security protection costs, adverse effects on our compliance with regulatory and environmental laws and regulation, including standards for drinking water, litigation and reputational damage.

We depend significantly on the services of the members of our senior management team, and the departure of any of those persons could cause our operating results to suffer.

Our success depends significantly on the continued individual and collective contributions of our senior management team. If we lose the services of any member of our senior management or are unable to hire and retain experienced management personnel, our operating results could suffer.

Work stoppages and other labor relations matters could adversely affect our operating results.

Approximately one-third of our workforce is unionized under a contract with a labor union. In light of rising costs for healthcare and retirement benefits, contract negotiations in the future may be difficult. We are subject to a risk of work stoppages and other labor actions as we negotiate with the union to address these issues, which could affect our business, financial condition, and results of operations. Although we believe we have a good relationship with our union workforce and have a strike contingency plan, we cannot be assured that issues with our labor force will be resolved favorably to us in the future or that we will not experience work stoppages.

The failure of, or the requirement to repair, upgrade or dismantle, either of our dams may adversely affect our financial condition and results of operations.

Our water system includes two impounding dams. While we maintain active and robust dam maintenance and inspection programs, a failure of the dams could result in injuries and damage to residential and/or commercial property downstream for which we may be responsible, in whole or in part. The failure of a dam could also adversely affect our ability to supply water in sufficient quantities to our customers and could adversely affect our financial condition and results of operations. We carry liability insurance on our dams, however, our limits may not be sufficient to cover all losses or liabilities incurred due to the failure of one of our dams. The estimated costs to maintain and upgrade our dams are included in our capital budget. Although such costs have previously been recoverable in rates, there is no guarantee that these costs will continue to be recoverable and in what magnitude they will be recoverable.

Wastewater operations entail significant risks and may impose significant costs.

Wastewater collection and treatment and septage pumping and sludge hauling involve various unique risks. If collection or treatment systems fail or do not operate properly, or if there is a spill, untreated or partially treated wastewater could discharge onto property or into nearby streams and rivers, causing various damages and injuries, including environmental damage. These risks are most acute during periods of substantial rainfall or flooding, which are the main causes of sewer overflow and system failure. Liabilities resulting from such damages and injuries could materially and adversely affect our business, financial condition, and results of operations.

Financial, Economic and Market Related Risks

General economic conditions may affect our financial condition and results of operations.

A general economic downturn may lead to a number of impacts on our business that may affect our financial condition and results of operations. Such impacts may include: a reduction in discretionary and recreational water use by our residential water customers, particularly during the summer months when such discretionary usage is normally at its highest; a decline in usage by industrial and commercial customers as a result of decreased business activity; an increased incidence of customers' inability to pay or delays in paying their utility bills, or an increase in customer bankruptcies, which may lead to higher bad debt expense and reduced cash flow; a lower customer growth rate due to a decline in new housing starts; and a decline in the number of active customers due to housing vacancies or abandonments. A deterioration in general economic conditions may also lead to an investment market downturn, which may result in our pension plans' asset market values suffering a decline and significant volatility. A decline in our pension plans' asset market values could increase our required cash contributions to these plans and pension expense in subsequent years.

The current concentration of our business in central and southern Pennsylvania makes us particularly susceptible to adverse developments in local economic and demographic conditions.

Our service territory presently includes 51 municipalities within three counties in south-central Pennsylvania. Our revenues and operating results are therefore especially subject to local economic and demographic conditions in the area. A change in any of these conditions could make it more costly or difficult for us to conduct our business. In addition, any such change would have a disproportionate effect on us, compared to water and wastewater utility companies that do not have such a geographic concentration.

We depend on the availability of capital for expansion, construction and maintenance.

Our ability to continue our expansion efforts and fund our construction and maintenance program depends on the availability of adequate capital. There is no guarantee that we will be able to obtain sufficient capital in the future or that the cost of capital will not be too high for future expansion and construction. In addition, approval from the PPUC must be obtained prior to our sale and issuance of securities. If we are unable to obtain approval from the PPUC on these matters, or to obtain approval in a timely manner, it may affect our ability to effect transactions that are beneficial to us or our shareholders. A single transaction may itself not be profitable but might still be necessary to continue providing service or to grow the business.

The failure to maintain our existing credit rating could affect our cost of funds and related liquidity.

Standard & Poor's Ratings Services rates our outstanding debt and has given a credit rating to us. Their evaluations are based on a number of factors, which include financial strength as well as transparency with rating agencies and timeliness of financial reporting. Failure to maintain our current credit rating could adversely affect our cost of funds and related liquidity.

We may face competition from other water suppliers or wastewater service providers that may hinder our growth and reduce our profitability.

We face competition from other water suppliers for acquisitions, which may limit our growth opportunities. Furthermore, even after we have been the successful bidder in an acquisition, competing water suppliers or wastewater service providers may challenge our application for extending our franchise territory to cover the target company's market. Finally, third parties either supplying water on a contract basis to municipalities or entering into agreements to operate municipal water or wastewater systems might adversely affect our business by winning contracts that may be beneficial to us. If we are unable to compete successfully with other water suppliers and wastewater service providers for these acquisitions, franchise territories and contracts, it may impede our expansion goals and adversely affect our profitability.

An important element of our growth strategy is the acquisition of water and wastewater systems. Any pending or future acquisitions we decide to undertake will involve risks.

The acquisition and integration of water and wastewater systems is an important element in our growth strategy. This strategy depends on identifying suitable acquisition opportunities and reaching mutually agreeable terms with acquisition candidates. The negotiation of potential acquisitions as well as the integration of acquired businesses could require us to incur significant costs. Further, acquisitions may result in dilution for the owners of our common stock, our incurrence of debt and contingent liabilities and fluctuations in quarterly results. In addition, the businesses and other assets we acquire may not achieve the financial results that we expect, which could adversely affect our profitability.

We have restrictions on our dividends. There can also be no assurance that we will continue to pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends.

The terms of our debt instruments impose conditions on our ability to pay dividends. We have paid dividends on our common stock each year since our inception in 1816 and have increased the amount of dividends paid each year since 1997. Our earnings, financial condition, capital requirements, applicable regulations and other factors, including the timeliness and adequacy of rate increases, will determine both our ability to pay dividends on our common stock and the amount of those dividends. There can be no assurance that we will continue to pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends.

If we are unable to pay the principal and interest on our indebtedness as it comes due or we default under certain other provisions of our loan documents, our indebtedness could be accelerated and our results of operations and financial condition could be adversely affected.

Our ability to pay the principal and interest on our indebtedness as it comes due will depend upon our current and future performance. Our performance is affected by many factors, some of which are beyond our control. We believe that our cash generated from operations, and, if necessary, borrowings under our existing credit facilities will be sufficient to enable us to make our debt payments as they become due. If, however, we do not generate sufficient cash, we may be required to refinance our obligations or sell additional equity, which may be on terms that are not as favorable to us. No assurance can be given that any refinancing or sale of equity will be possible when needed or that we will be able to negotiate acceptable terms. In addition, our failure to comply with certain provisions contained in our trust indentures and loan agreements relating to our outstanding indebtedness could lead to a default under these documents, which could result in an acceleration of our indebtedness.

There is a limited trading market for our common stock; you may not be able to resell your shares at or above the price you pay for them.

Although our common stock is listed for trading on the NASDAQ Global Select Market, the trading in our common stock has substantially less liquidity than many other companies quoted on the NASDAQ Global Select Market. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the market of willing buyers and sellers of our common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Because of the limited volume of trading in our common stock, a sale of a significant number of shares of our common stock in the open market could cause our stock price to decline.

The final determination of our income tax liability may be materially different from our income tax provision.

Significant judgment is required in determining our provision for income taxes. The calculation of the provision for income taxes is subject to our interpretation of applicable business tax laws in the federal and state jurisdictions in which we file. In addition, our income tax returns are subject to periodic examination by the Internal Revenue Service, or IRS, and other taxing authorities.

In December 2014, we changed our tax method of accounting to permit the expensing of qualifying asset improvement costs that were previously being capitalized and depreciated for tax purposes. Our determination of what qualifies as a capital cost versus a repair expense tax deduction is subject to subsequent adjustment and may impact the income tax benefits that have been recognized.

Although we believe our income tax estimates are appropriate, there is no assurance that the final determination of our income tax liability will not be materially different, either higher or lower, from what is reflected in our income tax provision. In the event we are assessed additional income taxes, our business, financial condition, and results of operations could be adversely affected.

We are subject to market and interest rate risk on our $12,000,000 variable interest rate debt issue.

We are subject to interest rate risk in conjunction with our $12,000,000 variable interest rate debt issue. This exposure, however, has been hedged with an interest rate swap. This hedge will protect the Company from the risk of changes in the benchmark interest rates but does not protect the Company's exposure to the changes in the difference between its own variable funding rate and the benchmark rate. A breakdown of the historical relationships between the cost of funds of the Company and the benchmark rate underlying the interest rate swap could result in higher interest rates adversely affecting our financial results.

The holders of the $12,000,000 variable rate Pennsylvania Economic Development Financing Authority (PEDFA) Series A Bonds may tender their bonds at any time. When the bonds are tendered, they are subject to an annual remarketing agreement, pursuant to which a remarketing agent attempts to remarket the tendered bonds pursuant to the terms of the Indenture. In order to keep variable interest rates down and to enhance the marketability of the Series A Bonds, the Company entered into a Reimbursement, Credit and Security Agreement with PNC Bank, National Association (''the Bank'') dated as of May 1, 2008. This agreement provides for a direct pay letter of credit issued by the Bank to the trustee for the Series A Bonds. The letter of credit expires June 30, 2023 and is reviewed annually for a potential extension of the expiration date. The Bank is responsible for providing the trustee with funds for the timely payment of the principal and interest on the Series A Bonds and for the purchase price of the Series A Bonds that have been tendered or deemed tendered for purchase and have not been remarketed. If the Bank is unable to meet its obligations, the Company would be required to buy any bonds which had been tendered.

Risks Related to Health, Safety and Environmental Concerns

Some scientific experts are predicting a worsening of weather volatility in the future, possibly created by the climate change greenhouse gases. Changing severe weather patterns could require additional expenditures to reduce the risk associated with any increasing storm, flood and drought occurrences.

The issue of climate change continues to receive attention worldwide. Many climate change predictions, if true, present several potential challenges to water and wastewater utilities, such as increased frequency and duration of droughts, increased precipitation and flooding, potential degradation of water quality, and the resulting changes in demand for services. The changes may result in lower revenue, the need for additional capital expenditures, or increased costs. Because of the uncertainty of weather volatility related to climate change, we cannot predict its potential impact on our business, financial condition, or results of operations. Although any potential expenditures and costs may be recovered in the form of higher rates, there can be no assurance that the PPUC would approve rate increases to enable us to recover such expenditures and costs. We cannot assure you that our costs of complying with any climate change related measures will not harm our business, financial condition, or results of operations.

Contamination of our water supply may cause disruption in our services and adversely affect our revenues.

Our water supply is subject to contamination from the migration of naturally-occurring substances in groundwater and surface systems and pollution resulting from man-made sources. In the event that our water supply is contaminated, we may have to interrupt the use of that water supply until we are able to substitute the flow of water from an uncontaminated water source through our interconnected transmission and distribution facilities. In addition, we may incur significant costs in order to treat the contaminated source through expansion of our current treatment facilities or development of new treatment methods. Our inability to substitute water supply from an uncontaminated water source, or to adequately treat the contaminated water source in a cost-effective manner, may have an adverse effect on our revenues.

If our sources of water or water at customer sites become contaminated, it could subject us to reduction in usage, regulatory actions, damage to our reputation and private litigation.

Our primary business is to impound, purify to meet or exceed safe drinking water standards and distribute water. Contamination of the water provided to our customers exposes us to risks, including regulatory or government action, customer exposure to contamination or hazardous substances in the water, and resulting private claims and litigation. Negative impacts to our reputation may occur even if we are not responsible for any contamination or its consequences. Pending or future claims against us and reputational damage could have a material adverse impact on our business, financial condition, and results of operations.

The Novel Coronavirus (COVID-19) pandemic and the attempt to contain it may harm our business, results of operations, financial condition and liquidity.

On March 13, 2020, the United States declared the COVID-19 pandemic a national emergency. The impact that COVID-19 will have on the Company, our customers and our vendors prospectively depends on numerous uncertainties, including the severity and duration of the pandemic, sufficiency of the government’s vaccination program and actions which could potentially be taken by federal or state governmental and/or regulatory authorities and could have an adverse effect on the Company’s business, results of operations, financial condition, and liquidity.

USE OF PROCEEDS

We will receive approximately $38.2 million in net proceeds from the sale of the shares of York Water Common Stock we are offering pursuant to this prospectus supplement, after deducting an aggregate of approximately $1.8 million in underwriting discounts and commissions and estimated offering expenses. If the underwriter's option is exercised in full, we estimate that our net proceeds will be approximately $44.0 million.

We expect to use all of the net proceeds from this offering for general corporate purposes, including our capital investment program, repayment of outstanding indebtedness, and potential acquisitions.

CAPITALIZATION

The following table sets forth, as of December 31, 2021, our capitalization on an actual basis and on an as adjusted basis to give effect to the sale of the shares of Common Stock in this offering. This table should be read in conjunction with our Financial Statements and the Notes to Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2021, which are incorporated by reference herein.

	As of December 31, 2021 (In thousands of Dollars)			
	Actual	% of Capitalization	As Adjusted	% of Capitalization
Common Stock Equity	$152,622	51.0%	$190,857	56.6%
Long-Term Debt, including Current Portion[1]	146,369	49.0%	146,369	43.4%
Total Capitalization	$298,991	100.0%	$337,226	100.0%

(1) As adjusted amount does not reflect the repayment of outstanding indebtedness as noted in "Use of Proceeds".

MATERIAL UNITED STATES FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS TO NON-U.S. HOLDERS

The following is a summary of material United States federal income and estate tax consequences of the purchase, ownership and disposition of York Water Common Stock as of the date hereof. Except where noted, this summary deals only with common stock that is held as a capital asset (generally, property held for investment) by a non-U.S. holder (as defined below).

A ''non-U.S. holder'' means a beneficial owner of York Water Common Stock (other than an entity treated as a partnership for United States federal income tax purposes) that is not, for United States federal income tax purposes, any of the following:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the ''Code''), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income and estate tax consequences different from those summarized below. This summary does not address all aspects of United States federal income and estate taxes and does not deal with non-U.S., state, local or other tax considerations that may be relevant to non-U.S. holders in light of their particular circumstances. In addition, it does not represent a detailed description of the United States federal income and estate tax consequences applicable to non-U.S. holders that are subject to special treatment under the United States federal income tax laws, including, without limitation:

- United States expatriates;
- foreign pension funds;
- ''controlled foreign corporations'' and ''passive foreign investment companies'';
- a partnership or other pass-through entity for United States federal income tax purposes (and investors therein);
- persons subject to the alternative minimum tax;
- persons holding York Water Common Stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- brokers, dealers or traders in securities;
- tax-exempt organizations or governmental organizations;
- persons deemed to sell York Water Common Stock under the constructive sale provisions of the Code; and
- persons subject to special tax accounting rules as a result of any item of gross income with respect to York Water Common Stock being taken into account in an applicable financial statement.

We cannot assure you that a change in law will not alter significantly the tax considerations that we describe in this summary. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) holds York Water Common Stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding York Water Common Stock, you should consult your tax advisors.

If you are considering the purchase of York Water Common Stock, you should consult your own tax advisors concerning the particular United States federal income and estate tax consequences to you of the purchase, ownership and disposition of York Water Common Stock, as well as the consequences to you arising under other United States federal tax laws and the laws of any other taxing jurisdiction.

Dividends

In the event that we make a distribution of cash or other property (other than certain pro rata distributions of our stock) in respect of York Water Common Stock, the distribution generally will be treated as a dividend for United States federal income tax purposes to the extent it is paid from our current or accumulated earnings and profits, as determined under United States federal income tax principles. Any portion of a distribution that exceeds our current and accumulated earnings and profits generally will be treated first as a tax-free return of capital, causing a reduction in the adjusted tax basis of a non-U.S. holder's common stock, and to the extent the amount of the distribution exceeds a non-U.S. holder's adjusted tax basis in York Water Common Stock, the excess will be treated as gain from the disposition of York Water Common Stock (the tax treatment of which is discussed below under ''*Gain on Disposition of Common Stock*'').

Dividends paid to a non-U.S. holder generally will be subject to withholding of United States federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by the non-U.S. holder within the United States (and, if required by an applicable income tax treaty, are attributable to a United States permanent establishment) are not subject to the withholding tax, provided certain certification and disclosure requirements are satisfied. Instead, such dividends are subject to United States federal income tax on a net income basis in the same manner as if the non-U.S. holder were a United States person as defined under the Code. Any such effectively connected dividends received by a foreign corporation may be subject to an additional ''branch profits tax'' at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A non-U.S. holder who wishes to claim the benefit of an applicable treaty rate and avoid backup withholding, as discussed below, for dividends will be required (a) to provide the applicable withholding agent with a properly executed Internal Revenue Service (''IRS'') Form W-8BEN or Form W-8BEN-E (or other applicable form) certifying under penalty of perjury that such holder is not a United States person as defined under the Code and is eligible for treaty benefits or (b) if York Water Common Stock is held through certain foreign intermediaries, to satisfy the relevant certification requirements of applicable United States Treasury regulations, including the provision of a properly executed Form W-8IMY. Special certification and other requirements apply to certain non-U.S. holders that are pass-through entities rather than corporations or individuals.

A non-U.S. holder eligible for a reduced rate of United States federal withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Gain on Disposition of Common Stock

Subject to the discussion of backup withholding below, any gain realized by a non-U.S. holder on the sale or other disposition of York Water Common Stock generally will not be subject to United States federal income tax unless:

- the gain is effectively connected with a trade or business of the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment of the non-U.S. holder);

- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or
- we are or have been a ''United States real property holding corporation'' for United States federal income tax purposes and certain other conditions are met.

A non-U.S. holder described in the first bullet point immediately above will be subject to tax on the gain derived from the sale or other disposition in the same manner as if the non-U.S. holder were a United States person as defined under the Code. In addition, if any non-U.S. holder described in the first bullet point immediately above is a foreign corporation, the gain realized by such non-U.S. holder may be subject to an additional ''branch profits tax'' at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. An individual non-U.S. holder described in the second bullet point immediately above will be subject to a 30% (or such lower rate as may be specified by an applicable income tax treaty) tax on the gain derived from the sale or other disposition, which gain may be offset by United States source capital losses even though the individual is not considered a resident of the United States.

Generally, a corporation is a ''United States real property holding corporation'' if the fair market value of its United States real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business (all as determined for United States federal income tax purposes). We have not determined whether we are a ''United States real property holding corporation'' for United States federal income tax purposes. We can give no assurance that we are not or will not become one in the future. If we are or become a ''United States real property holding corporation,'' so long as York Water Common Stock is regularly traded on an established securities market during the calendar year in which the sale or other disposition occurs, only a non-U.S. holder who holds or held (at any time during the shorter of the five year period preceding the date of disposition or the holder's holding period) more than 5% of York Water Common Stock will be subject to United States federal income tax on the gain derived from the sale or other disposition of York Water Common Stock in the same manner as if the non-U.S. holder were a United States person as defined in the Code. Certain attribution rules are applicable in determining whether the 5% ownership threshold described above is exceeded.

Federal Estate Tax

Common stock held by an individual non-U.S. holder at the time of death will be included in such holder's gross estate for United States federal estate tax purposes and may give rise to United States federal estate tax, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

Distributions paid to a non-U.S. holder and the amount of any tax withheld with respect to such distributions generally will be reported to the IRS. Copies of the information returns reporting such distributions and any withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty.

A non-U.S. holder will not be subject to backup withholding on dividends received if such holder certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that such holder is a United States person as defined under the Code), or such holder otherwise establishes an exemption (though such holder may be subject to the general dividend withholding tax discussed above in ''Dividends'').

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale or other disposition of York Water Common Stock made within the United States or conducted through certain United States-related financial intermediaries, unless the beneficial owner certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person as defined under the Code), or such owner otherwise establishes an exemption.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a non-U.S. holder's United States federal income tax liability provided the required information is timely furnished to the IRS.

Additional Withholding Requirements

Under Sections 1471 through 1474 of the Code (such Sections commonly referred to as ‘‘FATCA’’), a 30% United States federal withholding tax may apply to any dividends paid on York Water Common Stock to (1) a ‘‘foreign financial institution’’ (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (a) an exemption from FATCA, or (b) its compliance (or deemed compliance) with FATCA (which may alternatively be in the form of compliance with an intergovernmental agreement with the United States) in a manner which avoids withholding, or (2) a ‘‘non-financial foreign entity’’ (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (a) an exemption from FATCA, or (b) adequate information regarding certain substantial United States beneficial owners of such entity (if any). If a dividend payment is both subject to withholding under FATCA and subject to the withholding tax discussed above under ‘‘Dividends,’’ the withholding under FATCA may be credited against, and therefore reduce, such other withholding tax. You should consult your own tax advisors regarding these requirements and whether they may be relevant to your ownership and disposition of York Water Common Stock.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of shares of York Water Common Stock by (i) employee benefit plans that are subject to Title I of ERISA, (ii) plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, ''Similar Laws''), and (iii) entities which are deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements (each of the foregoing described in clauses (i), (ii), and (iii) being referred to herein as a ''Plan'').

General Fiduciary Matters and Prohibited Transaction Issues

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (a ''Covered Plan'') and prohibit certain transactions involving the assets of a Covered Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Covered Plan or the management or disposition of the assets of such a Covered Plan, or who renders investment advice for a fee or other compensation to such a Covered Plan, is generally considered to be a fiduciary of the Covered Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit Covered Plans from engaging in specified transactions involving plan assets with persons or entities who are ''parties in interest,'' within the meaning of ERISA, or ''disqualified persons,'' within the meaning of Section 4975 of the Code. ERISA and the Code contain certain exemptions from the prohibited transactions described above, and the Department of Labor has issued several exemptions, although certain exemptions do not provide relief from the prohibitions on self-dealing contained in Section 406(b) of ERISA and Sections 4975(c)(1)(E) and (F) of the Code. Exemptions include Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code pertaining to certain transactions with non-fiduciary service providers; Department of Labor Prohibited Transaction Class Exemption 95-60, which we refer to as a ''PTCE,'' applicable to transactions involving insurance company general accounts; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 84-14, regarding investments effected by a qualified professional asset manager; and PTCE 96-23, regarding investments effected by an in-house asset manager. There can be no assurance that any of these exemptions will be available with respect to an investment in York Water Common Stock. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the Covered Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code and the transactions may have to be rescinded.

In considering an investment in York Water Common Stock with a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duty to the Plan, including without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Government plans, foreign plans and certain church plans, while not subject to the fiduciary responsibility provisions of Title I of ERISA or the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, may nevertheless be subject to Similar Laws. Fiduciaries of such Plans should consult with their counsel before acquiring shares of York Water Common Stock.

Representation

Accordingly, by its acceptance of shares of York Water Common Stock, each purchaser and subsequent transferee will be deemed to have represented and warranted to York Water on each day including the date of its acceptance of the shares of York Water Common Stock through and including the date of disposition of such shares that (1) either (a) no portion of the assets used by such purchaser or transferee to acquire shares of York Water Common Stock constitutes assets of any Plan or (b) the acquisition, holding and disposition of shares of York Water Common Stock by such purchaser or transferee will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Laws and (2) it will notify York Water and the trustee immediately if, at any time, it is no longer able to make the representations contained in (1) above. Any purported transfer of the securities to a transferee that does not comply with the foregoing requirements shall be null and void ab initio.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing shares of York Water Common Stock on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code or any Similar Law and whether an exemption would be required. Neither this discussion nor anything provided in this prospectus is, or is intended to be, investment advice directed at any potential Plan purchasers, or at Plan purchasers generally, and such purchasers of shares of York Water Common Stock should consult and rely on their own counsel and advisers as to whether an investment in shares of York Water Common Stock is suitable for the Plan. The sale of shares of York Water Common Stock to any Plan is in no respect a representation by us, an underwriter or any of our or their affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such investment is prudent or appropriate for plans generally or any particular Plan.

UNDERWRITING

Janney Montgomery Scott LLC is serving as the book-running manager of this offering. We and the underwriter named below have entered into an underwriting agreement with respect to the shares of York Water Common Stock being offered hereby. Subject to certain conditions set forth in the underwriting agreement, the underwriter has agreed to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus, the number of shares of York Water Common Stock set forth in the following table.

Underwriter	Number of Shares
Janney Montgomery Scott LLC	975,600

The underwriter is committed to take and pay for all of the shares offered by us, if any are taken, other than the shares covered by the option described below. The obligations of the underwriter under the underwriting agreement may be terminated upon the occurrence of certain stated events.

We have granted to the underwriter an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to 146,340 additional shares of York Water Common Stock at the public offering price listed on the cover page of this prospectus supplement, less underwriting discounts. To the extent the option is exercised, the underwriter will become obligated, subject to certain conditions, to purchase such additional shares.

The underwriter proposes to offer some of the shares of York Water Common Stock to the public initially at the offering price per share shown on the cover page of this prospectus supplement and may offer shares of York Water Common Stock to certain dealers at such price less a concession not in excess of $0.90 per share. The underwriter may allow, and such dealers may also allow, a concession not in excess of $0.10 per share to certain other dealers. After the public offering of the shares of York Water Common Stock described herein, the public offering price and the concessions may be changed by the underwriter.

The following table shows the per share and total underwriting discount to be paid to the underwriter by us. These amounts are shown assuming both no exercise and full exercise of the underwriter's option:

	Per Share		Total	
	No Exercise	Full Exercise	No Exercise	Full Exercise
Underwriting discounts and commissions to be paid by us	$1.64	$1.64	$1,599,984	$1,839,982

We estimate that the total expenses of this offering, excluding underwriting discounts and commissions, will be approximately $165,000, which will be paid by us.

We have agreed that we will not (i) issue, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of York Water Common Stock or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, York Water Common Stock, (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of York Water Common Stock (iii) file any registration statement with the SEC relating to the offering of any shares of York Water Common Stock or any securities convertible into or exercisable or exchangeable for York Water Common Stock, (iv) offer to sell shares of York Water Common Stock pursuant to a dividend reinvestment plan or direct share purchase plan at a discount to fair market value or (v) publicly announce an intention to effect any transaction or action specified in (i), (ii), (iii) or (iv), in each case without the prior written consent of Janney Montgomery Scott LLC for a period of 60 days after the date of this prospectus supplement, subject to certain limited exceptions set forth in the underwriting agreement.

Our directors and certain executive officers have entered into lock-up agreements with the underwriter in connection with this offering pursuant to which each of these persons will not (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, make any short sale, grant any option, right or warrant to purchase, lend, or otherwise transfer, sell or dispose of, directly or indirectly, any shares of York Water Common Stock or any securities convertible into or exercisable or exchangeable for York Water Common Stock, (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any shares of York Water Common Stock, (iii) file any registration statement with the SEC relating to the offering of any shares of York Water Common Stock or any securities convertible into or exercisable or exchangeable for York Water Common Stock, or (iv) publicly announce an intention to effect any transaction specified in (i), (ii) or (iii), in each case without the prior written consent of Janney Montgomery Scott LLC for a period of 60 days after the date of this prospectus supplement, subject to certain limited exceptions set forth in the lock-up agreements.

We have agreed to indemnify the underwriter against certain liabilities that may be incurred in connection with this offering, including liabilities under the Securities Act of 1933, as amended, and to contribute to payments the underwriter may be required to make in respect thereof.

York Water Common Stock is listed on the NASDAQ Global Select Market under the symbol ''YORW.''

Stabilization and Short Positions

In connection with this offering, the underwriter may effect certain transactions in shares of York Water Common Stock in the open market in order to prevent or retard a decline in the market price of York Water Common Stock while this offering is in progress. These transactions may include short sales, purchases to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriter of a greater number of shares than it is required to purchase in the offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. ''Covered'' shorts are short positions in an amount not greater than the underwriter's option described herein, and ''naked'' shorts are short positions in excess of that amount. In determining the source of shares to close out a ''covered'' short, the underwriter will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option. A ''covered'' short may be covered by either exercising the underwriter's option or purchasing shares in the open market. A ''naked'' short is more likely to be created if the underwriter is concerned that there may be downward pressure on the price of York Water Common Stock in the open market prior to the completion of the offering, and may only be closed out by purchasing shares in the open market. Stabilizing transactions consist of various bids for or purchases of York Water Common Stock made by the underwriter in the open market prior to the completion of the offering.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriter for its own account, may have the effect of preventing or slowing a decline in the market price of York Water Common Stock and may stabilize, maintain or otherwise affect the market price of York Water Common Stock. As a result, the price of York Water Common Stock may be higher than the price that might otherwise exist in the open market. If these activities are commenced by the underwriter, they may be discontinued at any time. These transactions may be effected on the Nasdaq Global Select Market, in the over-the-counter market or otherwise.

Electronic Distribution

In connection with this offering, the underwriter may distribute prospectuses by electronic means, such as email. In addition, the underwriter may facilitate Internet distribution for this offering to certain of its Internet subscription customers, and allocate a limited number of shares for sale to its online brokerage customers. A prospectus in electronic format is being made available on the website maintained by the underwriter. Other than the prospectus in electronic format, the information on the underwriter's website and any information contained in any other website maintained by the underwriter is not a part of the prospectus or the registration statement, of which this prospectus supplement forms a part.

Other Relationships

The underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, investment research, hedging, financing and brokerage activities. The underwriter and its affiliates have, from time to time, performed, and may provide from time to time in the future, various financial advisory and investment banking services for us, for which they have received or will receive customary fees and expenses.

In addition, in the ordinary course of their various business activities, the underwriter and its affiliates may from time to time effect transactions for their own account or the account of their customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities (including related derivative securities) and financial instruments (including bank loans), and may continue to do so in the future. The underwriter and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

Notice to Prospective Investors in Canada

The shares of York Water Common Stock may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the shares of York Water Common Stock must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriter is not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

LEGAL MATTERS

Certain legal matters in connection with the validity of the shares of York Water Common Stock offered hereby will be passed upon for us by Reed Smith LLP. Certain legal matters will be passed upon for the underwriter by Holland & Knight LLP.

EXPERTS

The financial statements and financial statement schedule incorporated in this prospectus supplement by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2021 were audited by Baker Tilly US, LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such financial statements and financial statement schedule have been so incorporated in reliance upon the report of such firm given their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

This prospectus supplement and the accompanying prospectus are part of the registration statement on Form S-3 we filed with the SEC under the Securities Act and does not contain all the information set forth in the registration statement. Whenever a reference is made in this prospectus supplement and the accompanying prospectus to any of our contracts, agreements or other documents, the reference may not be complete and you should refer to the exhibits that are a part of the registration statement or the exhibits to the reports or other documents incorporated by reference into this prospectus for a copy of such contract, agreement or other document. We file annual, quarterly and special reports, proxy statements and other information with the SEC. Our SEC filings are available to the public at the SEC's website at http://www.sec.gov, and through a link on our website at http://www.yorkwater.com.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to ''incorporate by reference'' into this prospectus supplement and the accompanying prospectus information that we file with the SEC in other documents. This means that we can disclose important information to you by referring to other documents that contain that information. The information incorporated by reference is considered to be part of this prospectus. Information contained in this prospectus and information that we file with the SEC in the future and incorporate by reference in this prospectus automatically updates and supersedes previously filed information. We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 prior to the sale of all the shares covered by this prospectus supplement and the accompanying prospectus.

- Our Annual Report on Form 10-K for the year ended December 31, 2021;
- The description of our Common Stock contained in our registration statement on Form 8-A filed with the SEC, including any amendments or reports filed for the purpose of updating such description; and
- All documents filed by the Company after the date of this prospectus supplement pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act prior to the termination of the offering of the securities covered by this prospectus supplement, except as to any portion of any future report or document that is not deemed filed under such provisions..

You may request a copy of these documents, which will be provided to you at no cost, by writing or telephoning us using the following contact information:

The York Water Company
130 East Market Street
York, Pennsylvania 17401
Attn: Matthew E. Poff, Chief Financial Officer
Telephone: (717) 845-3601

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone to provide you with information different from that contained or incorporated by reference in this prospectus. We are offering to sell, and seeking offers to buy, securities only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement is accurate only as of the date of this prospectus supplement, regardless of the time of delivery of this prospectus or of any sale of securities.

PROSPECTUS

THE YORK WATER COMPANY

Common Stock
Debt Securities

This prospectus relates to common stock and debt securities, including debt securities convertible into common stock that we, The York Water Company, may sell from time to time in one or more offerings. This prospectus will allow us to issue securities over time and describes some of the general terms that may apply to an offering of such securities. We will provide a prospectus supplement each time we issue securities, which will inform you about the specific terms of that offering and may also supplement, update or amend information contained in this prospectus. You should read this prospectus, the information incorporated by reference in this prospectus and any prospectus supplement carefully before you invest.

Our common stock is listed on the NASDAQ Stock Market under the symbol "YORW." On September 24, 2021, the last reported sale price of our common stock on the NASDAQ Stock Market was $44.45 per share. The applicable prospectus supplement will contain information, where applicable, as to other listings, if any, on the NASDAQ Stock Market or other securities exchange of the securities covered by the applicable prospectus supplement.

Investing in our securities involves a high degree of risk. Before making an investment decision, you should review carefully the risks described under the heading "Risk Factors" beginning on page 3 of this prospectus and any similar section contained in the applicable prospectus supplement and in any free writing prospectuses we have authorized for use in connection with a specific offering, and under similar headings in the documents that are incorporated by reference into this prospectus.

We may offer the securities to or through underwriters or dealers, directly to purchasers or through agents designated from time to time, on a continuous or delayed basis. For additional information on the methods of sale, you should refer to the section entitled "Plan of Distribution" in this prospectus. If any underwriters are involved in the sale of any securities with respect to which this prospectus is being delivered, the names of such underwriters and any applicable discounts or commissions and over-allotment options will be set forth in a prospectus supplement. The price to the public of such securities and the net proceeds we expect to receive from such sale will also be set forth in a prospectus supplement.

This prospectus may not be used to consummate a sale of any securities unless accompanied by a prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus is October 13, 2021

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or ‘‘SEC,’’ using a ‘‘shelf’’ registration or continuous offering process. Under this shelf registration process, we may, from time to time, sell common stock or debt securities described in this prospectus in one or more offerings.

Each time we sell any securities under this prospectus, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement also may add, update or change information in this prospectus. If there is any inconsistency between the information in this prospectus and the prospectus supplement, you should rely on the information in the prospectus supplement. You should read both this prospectus and any prospectus supplement together with additional information described under the heading ‘‘Where You Can Find More Information’’ before buying any securities in an offering.

You should rely only on the information contained in or incorporated by reference into this prospectus or any applicable prospectus supplement. We have not authorized anyone to provide you with different information. We are not making an offer to sell or seeking an offer to buy securities under this prospectus or any applicable prospectus supplement in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus, any applicable prospectus supplement and the documents incorporated by reference herein and therein are accurate only as of their respective dates, regardless of the time of delivery of this prospectus or any sale of a security.

In this prospectus, unless the context specifically indicates otherwise ‘‘the Company,’’ ‘‘we,’’ ‘‘us’’ and ‘‘our’’ refer to The York Water Company.

ABOUT THE YORK WATER COMPANY

We were organized under the laws of the Commonwealth of Pennsylvania in 1816 and are the oldest investor-owned water utility in the United States. Our primary business of the Company is to impound, purify to meet or exceed safe drinking water standards and distribute water. We also own and operate two wastewater collection systems and five wastewater collection and treatment systems. We operate within our franchised water and wastewater territory, which covers portions of 51 municipalities within three counties in south-central Pennsylvania. We are regulated by the Pennsylvania Public Utility Commission, or PPUC, for both water and wastewater in the areas of billing, payment procedures, dispute processing, terminations, service territory, debt and equity financing and rate setting. We must obtain PPUC approval before changing any practices associated with the aforementioned areas.

Water service is supplied through our own distribution system. We obtain the bulk of our water supply from both the South Branch and East Branch of the Codorus Creek, which together have an average daily flow of 73.0 million gallons. This combined watershed area is approximately 117 square miles. We have two reservoirs, Lake Williams and Lake Redman, which together hold up to approximately 2.2 billion gallons of water. We supplement our reservoirs with a 15-mile pipeline from the Susquehanna River to Lake Redman which provides access to an additional supply of 12.0 million gallons of untreated water per day. We also own nine wells which are capable of providing a safe yield of approximately 597,000 gallons per day to supply water to the customers of our satellite systems in Adams County. As of June 30, 2021, our average daily availability was 35.6 million gallons, and average daily consumption was approximately 20.2 million gallons. Our service territory had an estimated population of 202,000 as of December 31, 2020. Industry within our service territory is diversified, manufacturing such items as fixtures and furniture, electrical machinery, food products, paper, ordnance units, textile products, air conditioning systems, laundry detergent, barbells, and motorcycles.

Our principal executive offices are located at 130 East Market Street, York, Pennsylvania 17401. Our telephone number is (717) 845-3601. Our website address is www.yorkwater.com. The information contained on our website is not incorporated by reference into, and does not form any part of, this prospectus.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We discuss in this prospectus and in documents that we have incorporated into this prospectus by reference certain matters which are not historical facts, but which are ''forward-looking statements.'' Words such as ''may,'' ''should,'' ''believe,'' ''anticipate,'' ''estimate,'' ''expect,'' ''intend,'' ''plan'' and similar expressions are intended to identify ''forward-looking statements.'' We intend these forward-looking statements to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to statements regarding:

— the amount and timing of rate changes and other regulatory matters including the recovery of costs recorded as regulatory assets;

— expected profitability and results of operations;

— trends;

— goals, priorities and plans for, and cost of, growth and expansion;

— strategic initiatives;

— availability of water supply;

— water usage by customers; and

— the ability to pay dividends on common stock and the rate of those dividends.

These forward-looking statements reflect what the Company currently anticipates will happen. What actually happens could differ materially from what it currently anticipates will happen. The Company does not intend to make a public announcement when forward-looking statements in this report are no longer accurate, whether as a result of new information, what actually happens in the future or for any other reason. Important matters that may affect what will actually happen include, but are not limited to:

— changes in weather, including drought conditions or extended periods of heavy rainfall;

— natural disasters, including pandemics such as the current outbreak of the novel strain of coronavirus known as ''COVID-19'' and the effectiveness of the Company's pandemic plans;

— levels of rate relief granted;

— the level of commercial and industrial business activity within the Company's service territory;

— construction of new housing within the Company's service territory and increases in population;

— changes in government policies or regulations, including the tax code;

— the ability to obtain permits for expansion projects;

— material changes in demand from customers, including the impact of conservation efforts which may impact the demand of customers for water;

— changes in economic and business conditions, including interest rates;

— loss of customers;

— changes in, or unanticipated, capital requirements;

— the impact of acquisitions;

— changes in accounting pronouncements;

— changes in the Company's credit rating or the market price of its common stock; and

— the ability to obtain financing.

RISK FACTORS

Investing in the securities described herein involves risk. We urge you to carefully consider the risk factors described below.

The rates we charge our customers are subject to regulation. If we are unable to obtain government approval of our requests for rate increases, or if approved rate increases are untimely or inadequate to cover our investments in utility plant and equipment and projected expenses, our results of operations may be adversely affected.

Our ability to maintain and meet our financial objectives is dependent upon the rates we charge our customers, which are subject to approval by the PPUC. We file rate increase requests with the PPUC, from time to time, to recover our investments in utility plant and equipment and projected expenses. Any rate increase or adjustment must first be justified through documented evidence and testimony. The PPUC determines whether the investments and expenses are recoverable, the length of time over which such costs are recoverable, or, because of changes in circumstances, whether a remaining balance of deferred investments and expenses is no longer recoverable in rates charged to customers. Once a rate increase application is filed with the PPUC, the ensuing administrative and hearing process may be lengthy and costly. The timing of our rate increase requests is therefore dependent upon the estimated cost of the administrative process in relation to the investments and expenses that we hope to recover through the rate increase. In addition, the amount or frequency of rate increases may be decreased or lengthened as a result of changes in income tax laws regarding tax-basis depreciation as it applies to our capital expenditures or qualifying repair tax deductible expenditures, and by changes to income tax rates.

We can provide no assurances that future requests will be approved by the PPUC; and, if approved, we cannot guarantee that these rate increases will be granted in a timely or sufficient manner to cover the investments and expenses for which we sought the rate increase. If we are unable to obtain PPUC approval of our requests for rate increases, or if approved rate increases are untimely or inadequate to cover our investments in utility plant and equipment and projected expenses, our results of operations may be adversely affected.

We are subject to federal, state and local regulation that may impose costly limitations and restrictions on the way we do business.

Various federal, state and local authorities regulate many aspects of our business. Among the most important of these regulations are those relating to the quality of water we supply our customers, water allocation rights and the quality of the effluent we discharge from our wastewater treatment facilities. Government authorities continually review these regulations, particularly the drinking water quality regulations, and may propose new or more restrictive requirements in the future. We are required to perform water and wastewater quality tests that are monitored by the PPUC, the U.S. Environmental Protection Agency, or EPA, and the Pennsylvania Department of Environmental Protection, or DEP, for the detection of certain chemicals and compounds in our water and effluent. If new or more restrictive limitations on permissible levels of substances and contaminants in our water and wastewater are imposed, we may not be able to adequately predict the costs necessary to meet regulatory standards. If we are unable to recover the cost of implementing new water and wastewater treatment procedures in response to more restrictive quality regulations through our rates that we charge our customers, or if we fail to comply with such regulations, it could have a material adverse effect on our financial condition and results of operations.

We are also subject to water allocation regulations that control the amount of water that we can draw from water sources. The Susquehanna River Basin Commission, or SRBC, and the DEP regulate the amount of water withdrawn from streams in the watershed for water supply purposes to assure that sufficient quantities are available to meet our needs and the needs of other regulated users. In addition, government drought restrictions could cause the SRBC or the DEP to temporarily reduce the amount of our allocations. If new or more restrictive water allocation regulations are implemented or our allocations are reduced due to weather conditions, it may have an adverse effect on our ability to supply the demands of our customers, and in turn, on our revenues and results of operations.

Our business is subject to seasonal fluctuations, which could affect demand for our water service and our revenues.

Demand for our water during the warmer months is generally greater than during cooler months due primarily to additional requirements for water in connection with cooling systems, swimming pools, irrigation systems and other outside water use. Throughout the year, and particularly during typically warmer months, demand will vary with temperature and rainfall levels. If temperatures during the typically warmer months are cooler than expected, or there is more rainfall than expected, the demand for our water may decrease and adversely affect our revenues.

Weather conditions and overuse may interfere with our sources of water, demand for water services, and our ability to supply water to our customers.

We depend on an adequate water supply to meet the present and future demands of our customers and to continue our expansion efforts. Unexpected conditions may interfere with our water supply sources. Drought and overuse may limit the availability of surface and ground water. These factors might adversely affect our ability to supply water in sufficient quantities to our customers and our revenues and earnings may be adversely affected. Additionally, cool and wet weather, as well as drought restrictions and our customers' conservation efforts, may reduce consumption demands, also adversely affecting our revenue and earnings. Furthermore, freezing weather may also contribute to water transmission interruptions caused by pipe and main breakage. If we experience an interruption in our water supply, it could have a material adverse effect on our financial condition and results of operations.

Some scientific experts are predicting a worsening of weather volatility in the future, possibly created by the climate change greenhouse gases. Changing severe weather patterns could require additional expenditures to reduce the risk associated with any increasing storm, flood and drought occurrences.

The issue of climate change continues to receive attention worldwide. Many climate change predictions, if true, present several potential challenges to water and wastewater utilities, such as increased frequency and duration of droughts, increased precipitation and flooding, potential degradation of water quality, and the resulting changes in demand for services. The changes may result in lower revenue, the need for additional capital expenditures, or increased costs. Because of the uncertainty of weather volatility related to climate change, we cannot predict its potential impact on our business, financial condition, or results of operations. Although any potential expenditures and costs may be recovered in the form of higher rates, there can be no assurance that the PPUC would approve rate increases to enable us to recover such expenditures and costs. We cannot assure you that our costs of complying with any climate change related measures will not harm our business, financial condition, or results of operations.

General economic conditions may affect our financial condition and results of operations.

A general economic downturn may lead to a number of impacts on our business that may affect our financial condition and results of operations. Such impacts may include: a reduction in discretionary and recreational water use by our residential water customers, particularly during the summer months when such discretionary usage is normally at its highest; a decline in usage by industrial and commercial customers as a result of decreased business activity; an increased incidence of customers' inability to pay or delays in paying their utility bills, or an increase in customer bankruptcies, which may lead to higher bad debt expense and reduced cash flow; a lower customer growth rate due to a decline in new housing starts; and a decline in the number of active customers due to housing vacancies or abandonments. A deterioration in general economic conditions may also lead to an investment market downturn, which may result in our pension plans' asset market values suffering a decline and significant volatility. A decline in our pension plans' asset market values could increase our required cash contributions to these plans and pension expense in subsequent years.

The current concentration of our business in central and southern Pennsylvania makes us particularly susceptible to adverse developments in local economic and demographic conditions.

Our service territory presently includes 51 municipalities within three counties in south-central Pennsylvania. Our revenues and operating results are therefore especially subject to local economic and demographic conditions in the area. A change in any of these conditions could make it more costly or difficult for us to conduct our business. In addition, any such change would have a disproportionate effect on us, compared to water and wastewater utility companies that do not have such a geographic concentration.

Contamination of our water supply may cause disruption in our services and adversely affect our revenues.

Our water supply is subject to contamination from the migration of naturally-occurring substances in groundwater and surface systems and pollution resulting from man-made sources. In the event that our water supply is contaminated, we may have to interrupt the use of that water supply until we are able to substitute the flow of water from an uncontaminated water source through our interconnected transmission and distribution facilities. In addition, we may incur significant costs in order to treat the contaminated source through expansion of our current treatment facilities or development of new treatment methods. Our inability to substitute water supply from an uncontaminated water source, or to adequately treat the contaminated water source in a cost-effective manner, may have an adverse effect on our revenues.

If our sources of water or water at customer sites become contaminated, it could subject us to reduction in usage, regulatory actions, damage to our reputation and private litigation.

Our primary business is to impound, purify to meet or exceed safe drinking water standards and distribute water. Contamination of the water provided to our customers exposes us to risks, including regulatory or government action, customer exposure to contamination or hazardous substances in the water, and resulting private claims and litigation. Negative impacts to our reputation may occur even if we are not responsible for any contamination or its consequences. Pending or future claims against us and reputational damage could have a material adverse impact on our business, financial condition, and results of operations.

The necessity for increased security has and may continue to result in increased operating costs.

We have taken steps to increase security measures at our facilities and heighten employee awareness of threats to our water supply. We have also tightened our security measures regarding the delivery and handling of certain chemicals used in our business. We have and will continue to bear increased costs for security precautions to protect our facilities, operations and supplies. We are not aware of any specific threats to our facilities, operations or supplies. However, it is possible that we would not be in a position to control the outcome of such events should they occur.

We rely on our information technology systems to help manage our operations.

We rely on our computer, information and communications technology systems in connection with the operation of our business, especially with respect to customer service and billing, accounting and, in some cases, the monitoring and operation of our operating facilities. Our computer and communications systems and operations could be damaged or interrupted by natural disasters, cyber-attacks, power loss and internet, telecommunications or data network failures or acts of war or terrorism or similar events or disruptions. Any of these or other events could cause service interruption, delays and loss of critical data or impede aspects of operations and therefore, adversely affect our financial results.

Cyber-attacks on entities around the world have caused operational failures and/or compromised corporate and personal data. Such attacks could result in the loss, or compromise, of customer, financial or operational data, disruption of billing, collections or normal field service activities, disruption of electronic monitoring and control of operational systems and delays in financial reporting and other management functions. Possible impacts associated with a cyber-incident may include remediation costs related to lost, stolen, or compromised data, repairs to data processing systems, increased cyber security protection costs, adverse effects on our compliance with regulatory and environmental laws and regulation, including standards for drinking water, litigation and reputational damage.

The Novel Coronavirus (COVID-19) pandemic and the attempt to contain it may harm our business, results of operations, financial condition and liquidity.

On March 13, 2020, the United States declared the COVID-19 pandemic a national emergency. The impact that COVID-19 will have on the Company, our customers and our vendors prospectively depends on numerous uncertainties, including the severity and duration of the pandemic, sufficiency of the government's vaccination program and actions which could potentially be taken by federal or state governmental and/or regulatory authorities and could have an adverse effect on the Company's business, results of operations, financial condition, and liquidity.

We depend on the availability of capital for expansion, construction and maintenance.

Our ability to continue our expansion efforts and fund our construction and maintenance program depends on the availability of adequate capital. There is no guarantee that we will be able to obtain sufficient capital in the future or that the cost of capital will not be too high for future expansion and construction. In addition, approval from the PPUC must be obtained prior to our sale and issuance of securities. If we are unable to obtain approval from the PPUC on these matters, or to obtain approval in a timely manner, it may affect our ability to effect transactions that are beneficial to us or our shareholders. A single transaction may itself not be profitable but might still be necessary to continue providing service or to grow the business.

The failure to maintain our existing credit rating could affect our cost of funds and related liquidity.

Standard & Poor's Ratings Services rates our outstanding debt and has given a credit rating to us. Their evaluations are based on a number of factors, which include financial strength as well as transparency with rating agencies and timeliness of financial reporting. Failure to maintain our current credit rating could adversely affect our cost of funds and related liquidity.

We may face competition from other water suppliers or wastewater service providers that may hinder our growth and reduce our profitability.

We face competition from other water suppliers for acquisitions, which may limit our growth opportunities. Furthermore, even after we have been the successful bidder in an acquisition, competing water suppliers or wastewater service providers may challenge our application for extending our franchise territory to cover the target company's market. Finally, third parties either supplying water on a contract basis to municipalities or entering into agreements to operate municipal water or wastewater systems might adversely affect our business by winning contracts that may be beneficial to us. If we are unable to compete successfully with other water suppliers and wastewater service providers for these acquisitions, franchise territories and contracts, it may impede our expansion goals and adversely affect our profitability.

An important element of our growth strategy is the acquisition of water and wastewater systems. Any pending or future acquisitions we decide to undertake will involve risks.

The acquisition and integration of water and wastewater systems is an important element in our growth strategy. This strategy depends on identifying suitable acquisition opportunities and reaching mutually agreeable terms with acquisition candidates. The negotiation of potential acquisitions as well as the integration of acquired businesses could require us to incur significant costs. Further, acquisitions may result in dilution for the owners of our common stock, our incurrence of debt and contingent liabilities and fluctuations in quarterly results. In addition, the businesses and other assets we acquire may not achieve the financial results that we expect, which could adversely affect our profitability.

We have restrictions on our dividends. There can also be no assurance that we will continue to pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends.

The terms of our debt instruments impose conditions on our ability to pay dividends. We have paid dividends on our common stock each year since our inception in 1816 and have increased the amount of dividends paid each year since 1997. Our earnings, financial condition, capital requirements, applicable regulations and other factors, including the timeliness and adequacy of rate increases, will determine both our ability to pay dividends on our common stock and the amount of those dividends. There can be no assurance that we will continue to pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends.

If we are unable to pay the principal and interest on our indebtedness as it comes due or we default under certain other provisions of our loan documents, our indebtedness could be accelerated and our results of operations and financial condition could be adversely affected.

Our ability to pay the principal and interest on our indebtedness as it comes due will depend upon our current and future performance. Our performance is affected by many factors, some of which are beyond our control. We believe that our cash generated from operations, and, if necessary, borrowings under our existing credit facilities will be sufficient to enable us to make our debt payments as they become due. If, however, we do not generate sufficient cash, we may be required to refinance our obligations or sell additional equity, which may be on terms that are not as favorable to us. No assurance can be given that any refinancing or sale of equity will be possible when needed or that we will be able to negotiate acceptable terms. In addition, our failure to comply with certain provisions contained in our trust indentures and loan agreements relating to our outstanding indebtedness could lead to a default under these documents, which could result in an acceleration of our indebtedness.

We depend significantly on the services of the members of our senior management team, and the departure of any of those persons could cause our operating results to suffer.

Our success depends significantly on the continued individual and collective contributions of our senior management team. If we lose the services of any member of our senior management or are unable to hire and retain experienced management personnel, our operating results could suffer.

Work stoppages and other labor relations matters could adversely affect our operating results.

Approximately one-third of our workforce is unionized under a contract with a labor union. In light of rising costs for healthcare and retirement benefits, contract negotiations in the future may be difficult. We are subject to a risk of work stoppages and other labor actions as we negotiate with the union to address these issues, which could affect our business, financial condition, and results of operations. Although we believe we have a good relationship with our union workforce and have a strike contingency plan, we cannot be assured that issues with our labor force will be resolved favorably to us in the future or that we will not experience work stoppages.

There is a limited trading market for our common stock; you may not be able to resell your shares at or above the price you pay for them.

Although our common stock is listed for trading on the NASDAQ Global Select Market, the trading in our common stock has substantially less liquidity than many other companies quoted on the NASDAQ Global Select Market. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the market of willing buyers and sellers of our common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Because of the limited volume of trading in our common stock, a sale of a significant number of shares of our common stock in the open market could cause our stock price to decline.

The failure of, or the requirement to repair, upgrade or dismantle, either of our dams may adversely affect our financial condition and results of operations.

Our water system includes two impounding dams. While we maintain active and robust dam maintenance and inspection programs, a failure of the dams could result in injuries and damage to residential and/or commercial property downstream for which we may be responsible, in whole or in part. The failure of a dam could also adversely affect our ability to supply water in sufficient quantities to our customers and could adversely affect our financial condition and results of operations. We carry liability insurance on our dams, however, our limits may not be sufficient to cover all losses or liabilities incurred due to the failure of one of our dams. The estimated costs to maintain and upgrade our dams are included in our capital budget. Although such costs have previously been recoverable in rates, there is no guarantee that these costs will continue to be recoverable and in what magnitude they will be recoverable.

Wastewater operations entail significant risks and may impose significant costs.

Wastewater collection and treatment and septage pumping and sludge hauling involve various unique risks. If collection or treatment systems fail or do not operate properly, or if there is a spill, untreated or partially treated wastewater could discharge onto property or into nearby streams and rivers, causing various damages and injuries, including environmental damage. These risks are most acute during periods of substantial rainfall or flooding, which are the main causes of sewer overflow and system failure. Liabilities resulting from such damages and injuries could materially and adversely affect our business, financial condition, and results of operations.

The final determination of our income tax liability may be materially different from our income tax provision.

Significant judgment is required in determining our provision for income taxes. The calculation of the provision for income taxes is subject to our interpretation of applicable business tax laws in the federal and state jurisdictions in which we file. In addition, our income tax returns are subject to periodic examination by the Internal Revenue Service, or IRS, and other taxing authorities.

In December 2014, we changed our tax method of accounting to permit the expensing of qualifying asset improvement costs that were previously being capitalized and depreciated for tax purposes. Our determination of what qualifies as a capital cost versus a repair expense tax deduction is subject to subsequent adjustment and may impact the income tax benefits that have been recognized.

Although we believe our income tax estimates are appropriate, there is no assurance that the final determination of our income tax liability will not be materially different, either higher or lower, from what is reflected in our income tax provision. In the event we are assessed additional income taxes, our business, financial condition, and results of operations could be adversely affected.

We are subject to market and interest rate risk on our $12,000,000 variable interest rate debt issue.

We are subject to interest rate risk in conjunction with our $12,000,000 variable interest rate debt issue. This exposure, however, has been hedged with an interest rate swap. This hedge will protect the Company from the risk of changes in the benchmark interest rates but does not protect the Company's exposure to the changes in the difference between its own variable funding rate and the benchmark rate. A breakdown of the historical relationships between the cost of funds of the Company and the benchmark rate underlying the interest rate swap could result in higher interest rates adversely affecting our financial results.

The holders of the $12,000,000 variable rate Pennsylvania Economic Development Financing Authority (PEDFA) Series A Bonds may tender their bonds at any time. When the bonds are tendered, they are subject to an annual remarketing agreement, pursuant to which a remarketing agent attempts to remarket the tendered bonds pursuant to the terms of the Indenture. In order to keep variable interest rates down and to enhance the marketability of the Series A Bonds, the Company entered into a Reimbursement, Credit and Security Agreement with PNC Bank, National Association (''the Bank'') dated as of May 1, 2008. This agreement provides for a direct pay letter of credit issued by the Bank to the trustee for the Series A Bonds. The letter of credit expires June 30, 2022 and is reviewed annually for a potential extension of the expiration date. The Bank is responsible for providing the trustee with funds for the timely payment of the principal and interest on the Series A Bonds and for the purchase price of the Series A Bonds that have been tendered or deemed tendered for purchase and have not been remarketed. If the Bank is unable to meet its obligations, the Company would be required to buy any bonds which had been tendered.

USE OF PROCEEDS

We will receive all of the net proceeds from the sale by us of the securities registered under the registration statement of which this prospectus is a part. Unless otherwise specified in a prospectus supplement accompanying this prospectus, we expect to use the net proceeds from the sale of our securities for general corporate purposes, which may include, among other things, reduction or refinancing of debt or other corporate obligations, potential acquisitions of complementary businesses, the financing of capital expenditures and other general corporate purposes, including working capital.

The actual application of proceeds from the sale of securities issued hereunder will be described in the applicable prospectus supplement relating thereto. The precise amount and timing of the application of such proceeds will depend upon our funding requirements and the availability and cost of other funds. We currently have no plans for specific use of the net proceeds. We will specify the principal purposes for which the net proceeds from the sale of our securities will be used in a prospectus supplement at the time of sale.

DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Amended and Restated Articles of Incorporation, which is an exhibit to our Current Report on Form 8-K filed with the SEC on May 4, 2010, and our Amended and Restated By-laws, which is an exhibit to our Current Report on Form 8-K filed with the SEC on January 26, 2012, each of which is incorporated by reference herein. We encourage you to read our articles, our by-laws and the applicable provisions of the Pennsylvania Business Corporation Law of 1988, as amended, for additional information.

Authorized Capital Stock

Our authorized capital stock consists of 47,000,000 shares, of which 46,500,000 shares are common stock and 500,000 shares are preferred stock, each without par value.

Common Stock

Voting Rights

Each share of common stock entitles the holder to one vote on each matter presented at a meeting of shareholders or to express consent or dissent to corporate action in writing without a meeting. Cumulative voting in an election of directors is not permitted under our articles of incorporation. Pursuant to our by-laws, our Board of Directors consists of at least eight and not more than twelve directors, with three separate classes of directors and with each such class elected every three years to a staggered three-year term of office. As a result of this classification, a greater number of votes are required to elect a director than if the entire Board of Directors were elected at the same time, thus making it more difficult for shareholders to obtain board representation in proportion to their shareholdings.

Dividends

All shares of common stock are entitled to participate pro rata in any dividends declared by our Board of Directors out of funds legally available therefor. Subject to the prior rights of creditors and of any shares of preferred stock which may be outstanding, all shares of common stock are entitled in the event of liquidation to participate ratably in the distribution of all our remaining assets.

Certain of our trust indentures and agreements relating to our outstanding indebtedness impose restrictions on the payment of dividends. In general, these restrictive provisions prohibit the payment of dividends on our common stock when cumulative dividend payments, over a specified period of time, exceed cumulative net income, over the same period, plus, in certain cases, a specified base amount. In view of our historic net income, management believes that these contractual provisions should not have any direct, adverse impact on the dividends we pay on our common stock. Notwithstanding these contractual provisions, our Board of Directors periodically considers a variety of factors in evaluating our common stock dividend rate. The continued maintenance of the current common stock dividend rate will be dependent upon (i) our success in financing future capital expenditures through debt and equity issuances, (ii) our success in obtaining future rate increases from the Pennsylvania Public Utility Commission (the ‘‘PPUC’’), (iii) future interest rates, and (iv) other events or circumstances which could have an effect on operating results.

Preferred Stock

We also have 500,000 shares of preferred stock authorized, which our Board of Directors has discretion to issue in such series and with such preferences and rights as it may designate. Such preferences and rights may be superior to those of the holders of common stock. For example, the holders of preferred stock may be given a preference in payment upon our liquidation, or for the payment or accumulation of dividends before any distributions are made to the holders of common stock. No shares of the preferred stock have been issued.

Anti-Takeover Provisions

Pennsylvania State Law Provisions

We are subject to various anti-takeover provisions of the Pennsylvania Business Corporation Law of 1988, as amended (the ‘‘PBCL’’) Generally, these provisions are triggered if any person or group acquires, or discloses intent to acquire, 20% or more of a corporation's voting power, unless the acquisition is under a registered firm commitment underwriting or, in certain cases, approved by the board of directors. These provisions:

- provide the other shareholders of the corporation with certain rights against the acquiring group or person;
- prohibit the corporation from engaging in a broad range of business combinations with the acquiring group or person; and
- restrict the voting and other rights of the acquiring group or person.

In addition, as permitted by Pennsylvania law, an amendment to our articles of incorporation or other corporate action that is approved by shareholders may provide mandatory special treatment for specified groups of nonconsenting shareholders of the same class. For example, an amendment to our articles of incorporation or other corporate action may provide that shares of common stock held by designated shareholders of record must be cashed out at a price determined by the corporation, subject to applicable dissenters' rights.

Preferred Stock

The issuance of shares of preferred stock, while potentially providing desirable flexibility in connection with raising capital for our needs and other corporate purposes, could have the effect of making it more difficult for a third party to acquire a majority of our outstanding voting stock.

Bylaw Provisions

Certain provisions of by-laws may have the effect of discouraging unilateral tender offers or other attempts to take over and acquire our business. These provisions might discourage some potentially interested purchaser from attempting a unilateral takeover bid for us on terms, which some shareholders might favor.

Our by-laws require our Board of Directors to be divided into three classes that serve staggered three-year terms. When a board is staggered, hostile bidders must win more than one proxy fight at successive shareholder meetings in order to exercise control of the board of the target.

The by-laws also require that any shareholder intending to nominate a candidate for election as a director must give written notice of the nomination, containing certain specified information, to our secretary not later than 90 days nor earlier than 120 days in advance of the meeting at which the election is to be held.

Pennsylvania Public Utility Commission Provisions

The Pennsylvania Public Utility Commission, or PPUC, has jurisdiction over a change in control of us or the acquisition of us by a third party. The PPUC approval process can be lengthy and may deter a potentially interested purchaser from attempting to acquire a controlling interest in us.

Miscellaneous

There are no preemptive rights, sinking fund provisions, conversion rights or redemption provisions applicable to the common stock. Holders of fully paid shares of common stock are not subject to any liability for further calls or assessments.

Transfer Agent and Registrar

The Transfer Agent and Registrar for the common stock is Broadridge Corporate Issuer Solutions, Inc, PO Box 1342, Brentwood, NY 11717.

DESCRIPTION OF DEBT SECURITIES

The following is a summary of the general terms and provisions of the debt securities we may offer under this prospectus and one or more prospectus supplements. When we offer to sell a particular series of debt securities, we will describe the specific terms of the series in a prospectus supplement. The following description of debt securities will apply to the debt securities offered by this prospectus unless we provide otherwise in the applicable prospectus supplement. The applicable prospectus supplement for a particular series of debt securities may specify different or additional terms.

General

We may issue senior, senior subordinated, or subordinated debt securities, and in any case may be secured or unsecured. The debt securities will be our direct obligations. Senior securities will rank equally and ratably in right of payment with other indebtedness of ours that is not subordinated. Senior subordinated securities will be subordinated in right of payment to the prior payment in full of senior indebtedness, as defined in the applicable prospectus supplement, and may rank equally and ratably with any other senior subordinated indebtedness. Subordinated securities will be subordinated in right of payment to senior subordinated securities.

Debt securities may be issued in one or more series with the same or various maturities, at par, at a premium, or at a discount. We need not issue all debt securities of one series at the same time. Unless we provide otherwise, we may reopen a series, without the consent of the holders of such series, for issuances of additional securities of that series. We may issue debt securities with terms different from those of debt securities that we previously issued.

The form of indenture has been filed as an exhibit to the registration statement of which this prospectus is a part and is subject to any amendments or supplements that we may enter into with the trustee(s), however, we may issue debt securities not subject to the indenture provided such terms of debt securities are not otherwise required to be set forth in the indenture. Each indenture will be subject to and governed by the Trust Indenture Act of 1939, as amended, and we may supplement the indenture from time to time. The material terms of the indenture are summarized below and we refer you to the indenture for a detailed description of these material terms. Additional or different provisions that are applicable to a particular series of debt securities will, if material, be described in a prospectus supplement relating to the offering of debt securities of that series. These provisions may include, among other things and to the extent applicable, the following:

- the title of the debt securities, including, as applicable, whether the debt securities will be issued as senior debt securities, senior subordinated debt securities or subordinated debt securities, any subordination provisions particular to the series of debt securities;
- any limit on the aggregate principal amount of the debt securities;
- whether the debt securities are senior debt securities or subordinated debt securities and applicable subordination provisions, if any;
- whether the debt securities will be secured or unsecured;
- if other than 100% of the aggregate principal amount, the percentage of the aggregate principal amount at which we will sell the debt securities, such as an original issuance discount;
- the date or dates, whether fixed or extendable, on which the principal of the debt securities will be payable;
- the rate or rates, which may be fixed or variable, at which the debt securities will bear interest, if any, the date or dates from which any such interest will accrue, the interest payment dates on which we will pay any such interest, the basis upon which interest will be calculated if other than that of a 360-day year consisting of twelve 30-day months, and, in the case of registered securities, the record dates for the determination of holders to whom interest is payable;
- the terms, if any, by which holders of the debt securities may convert or exchange the debt securities for our common stock, preferred stock, or any other security or property;
- if convertible, the initial conversion price, the conversion period, and any other terms governing such conversion;

- the place or places where the principal of and any premium or interest on the debt securities will be payable and where the debt securities may be surrendered for conversion or exchange;
- whether we may, at our option, redeem the debt securities, and if so, the price or prices at which, the period or periods within which, and the terms and conditions upon which, we may redeem the debt securities, in whole or in part, pursuant to any sinking fund or otherwise;
- if other than 100% of the aggregate principal amount thereof, the portion of the principal amount of the debt securities which will be payable upon declaration of acceleration of the maturity date thereof or provable in bankruptcy, or, if applicable, which is convertible or exchangeable;
- any obligation we may have to redeem, purchase or repay the debt securities pursuant to any sinking fund or analogous provisions or at the option of a holder of debt securities, and the price or prices at which, the currency in which and the period or periods within which, and the terms and conditions upon which, the debt securities will be redeemed, purchased or repaid, in whole or in part, pursuant to any such obligation, and any provision for the remarketing of the debt securities;
- the issuance of debt securities as registered securities or unregistered securities or both, and the rights of the holders of the debt securities to exchange unregistered securities for registered securities, or vice versa, and the circumstances under which any such exchanges, if permitted, may be made;
- the denominations, which may be in United States Dollars or in any foreign currency, in which the debt securities will be issued, if other than denominations of $1,000 and any integral multiple thereof;
- whether the debt securities will be issued in the form of certificated debt securities, and if so, the form of the debt securities (or forms thereof if unregistered and registered securities are issuable in that series), including the legends required by law or as we deem necessary or appropriate, the form of any coupons or temporary global security which may be issued and the forms of any other certificates which may be required under the indenture or which we may require in connection with the offering, sale, delivery or exchange of the debt securities;
- if other than United States Dollars, the currency or currencies in which payments of principal, interest and other amounts payable with respect to the debt securities will be denominated, payable, redeemable or repurchasable, as the case may be;
- whether the debt securities may be issuable in tranches;
- the obligations, if any, we may have to permit the conversion or exchange of the debt securities into common stock, preferred stock or other capital stock or property, or a combination thereof, and the terms and conditions upon which such conversion or exchange will be effected (including conversion price or exchange ratio), and any limitations on the ownership or transferability of the securities or property into which the debt securities may be converted or exchanged;
- if other than the trustee under the indenture, any trustees, authenticating or paying agents, transfer agents or registrars or any other agents with respect to the debt securities;
- any deletions from, modifications of or additions to the events of default with respect to the debt securities or the right of the Trustee or the holders of the debt securities in connection with events of default;
- any deletions from, modifications of or additions to the covenants with respect to the debt securities;
- if the amount of payments of principal of, and make-whole amount, if any, and interest on the debt securities may be determined with reference to an index, the manner in which such amount will be determined;
- whether the debt securities will be issued in whole or in part in the global form of one or more debt securities and, if so, the depositary for such debt securities, the circumstances under which any such debt security may be exchanged for debt securities registered in the name of, and under which any transfer of debt securities may be registered in the name of, any person other than such depositary or its nominee, and any other provisions regarding such debt securities;

- whether, under what circumstances and the currency in which, we will pay additional amounts on the debt securities to any holder of the debt securities who is not a United States person in respect of any tax, assessment or governmental charge and, if so, whether we will have the option to redeem such debt securities rather than pay such additional amounts, and the terms of any such option;
- whether the debt securities will be secured by any collateral and, if so, a general description of the collateral and the terms of any related security, pledge or other agreements;
- the persons to whom any interest on the debt securities will be payable, if other than the registered holders thereof on the regular record date therefor; and
- any other material terms or conditions upon which the debt securities will be issued.

Unless otherwise indicated in the applicable prospectus supplement, we will issue debt securities in fully registered form without coupons and in denominations of $1,000 and in integral multiples of $1,000, and interest will be computed on the basis of a 360-day year of twelve 30-day months. If any interest payment date or the maturity date falls on a day that is not a business day, then the payment will be made on the next business day without additional interest and with the same effect as if it were made on the originally scheduled date. ‘‘Business day’’ means any calendar day that is not a Saturday, Sunday or legal holiday in New York, New York, and on which the trustee and commercial banks are open for business in New York, New York.

Unless we inform you otherwise in a prospectus supplement, each series of our senior debt securities will rank equally in right of payment with all of our other unsubordinated debt. The subordinated debt securities will rank junior in right of payment and be subordinate to all of our unsubordinated debt.

Unless otherwise indicated in the applicable prospectus supplement, the trustee will act as paying agent and registrar for the debt securities under the indenture. We may act as paying agent under the indenture.

The prospectus supplement will contain a description of United States federal income tax consequences relating to the debt securities, to the extent applicable.

Covenants

The applicable prospectus supplement will describe any covenants, such as restrictive covenants restricting us or our subsidiaries, if any, from incurring, issuing, assuming or guarantying any indebtedness or restricting us or our subsidiaries, if any, from paying dividends or acquiring any of our or its capital stock.

Consolidation, Merger and Transfer of Assets

The indenture permits a consolidation or merger between us and another entity and/or the sale, conveyance or lease by us of all or substantially all of our property and assets, provided that:

- the resulting or acquiring entity, if other than us, is organized and existing under the laws of a United States jurisdiction and assumes all of our responsibilities and liabilities under the indenture, including the payment of all amounts due on the debt securities and performance of the covenants in the indenture;
- immediately after the transaction, and giving effect to the transaction, no event of default under the indenture exists; and
- we have delivered to the trustee an officers’ certificate stating that the transaction and, if a supplemental indenture is required in connection with the transaction, the supplemental indenture comply with the indenture and that all conditions precedent to the transaction contained in the indenture have been satisfied.

If we consolidate or merge with or into any other entity, or sell or lease all or substantially all of our assets in compliance with the terms and conditions of the indenture, the resulting or acquiring entity will be substituted for us in the indenture and the debt securities with the same effect as if it had been an original party to the indenture and the debt securities. As a result, such successor entity may exercise our rights and powers under the indenture and the debt securities, in our name and, except in the case of a lease, we will be released from all our liabilities and obligations under the indenture and under the debt securities.

Notwithstanding the foregoing, we may transfer all of our property and assets to another entity if, immediately after giving effect to the transfer, such entity is our wholly owned subsidiary. The term ‘‘wholly owned subsidiary'' means any subsidiary in which we and/or our other wholly owned subsidiaries, if any, own all of the outstanding capital stock.

Modification and Waiver

Under the indenture, some of our rights and obligations and some of the rights of the holders of the debt securities may be modified or amended with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding debt securities affected by the modification or amendment. However, the following modifications and amendments will not be effective against any holder without its consent:

- a change in the stated maturity date of any payment of principal or interest;
- a reduction in the principal amount of or interest on any debt securities;
- an alteration or impairment of any right to convert at the rate or upon the terms provided in the indenture;
- a change in the currency in which any payment on the debt securities is payable;
- an impairment of a holder's right to sue us for the enforcement of payments due on the debt securities; or
- a reduction in the percentage of outstanding debt securities required to consent to a modification or amendment of the indenture or required to consent to a waiver of compliance with certain provisions of the indenture or certain defaults under the indenture.

Under the indenture, the holders of not less than a majority in aggregate principal amount of the outstanding debt securities may, on behalf of all holders of the debt securities:

- waive compliance by us with certain restrictive provisions of the indenture; and
- waive any past default under the indenture in accordance with the applicable provisions of the indenture, except a default in the payment of the principal of or interest on any series of debt securities.

Events of Default

Unless we indicate otherwise in the applicable prospectus supplement, ''event of default'' under the indenture will mean, with respect to any series of debt securities, any of the following:

- failure to pay interest on any debt security for 30 days after the payment is due;
- failure to pay the principal of any debt security when due, either at maturity, upon redemption, by declaration or otherwise;
- failure on our part to observe or perform any other covenant or agreement in the indenture that applies to the debt securities for 90 days after we have received written notice of the failure to perform in the manner specified in the indenture; and
- certain events of bankruptcy, insolvency or reorganization.

Remedies Upon an Event of Default

If an event of default occurs and continues, the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding debt securities of such series may declare the entire principal of all the debt securities to be due and payable immediately, except that, if the event of default is caused by certain events in bankruptcy, insolvency or reorganization, the entire principal of all of the debt securities of such series will become due and payable immediately without any act on the part of the trustee or holders of the debt securities. If such a declaration occurs, the holders of a majority of the aggregate principal amount of the outstanding debt securities of such series can, subject to conditions, rescind the declaration.

The indenture requires us to furnish to the trustee not less often than annually, a certificate from our principal executive officer, principal financial officer or principal accounting officer, as the case may be, as to such officer's knowledge of our compliance with all conditions and covenants under the indenture. The trustee may withhold notice to the holders of debt securities of any default, except defaults in the payment of principal of or interest on any debt securities if the trustee in good faith determines that the withholding of notice is in the best interests of the holders. For purposes of this paragraph, ''default'' means any event which is, or after notice or lapse of time or both would become, an event of default under the indenture.

The trustee is not obligated to exercise any of its rights or powers under the indenture at the request, order or direction of any holders of debt securities, unless the holders offer the trustee satisfactory security or indemnity. If satisfactory security or indemnity is provided, then, subject to other rights of the trustee, the holders of a majority in aggregate principal amount of the outstanding debt securities may direct the time, method and place of:

- conducting any proceeding for any remedy available to the trustee; or
- exercising any trust or power conferred upon the trustee.

The holder of a debt security will have the right to begin any proceeding with respect to the indenture or for any remedy only if:

- the holder has previously given the trustee written notice of a continuing event of default;
- the holders of not less than a majority in aggregate principal amount of the outstanding debt securities have made a written request of, and offered reasonable indemnity to, the trustee to begin such proceeding;
- the trustee has not started such proceeding within 60 days after receiving the request; and
- no direction inconsistent with such written request has been given to the trustee under the indenture.

However, the holder of any debt security will have an absolute right to receive payment of principal of and interest on the debt security when due and to institute suit to enforce this payment.

Satisfaction and Discharge; Defeasance

Satisfaction and Discharge of Indenture. Unless otherwise indicated in the applicable prospectus supplement, if at any time,

- we have paid the principal of and interest on all the debt securities of any series, except for debt securities which have been destroyed, lost or stolen and which have been replaced or paid in accordance with the indenture, as and when the same shall have become due and payable, or
- we have delivered to the trustee for cancellation all debt securities of any series theretofore authenticated, except for debt securities of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in the indenture, or
- all the debt securities of such series not theretofore delivered to the trustee for cancellation have become due and payable, or are by their terms are to become due and payable within one year or are to be called for redemption within one year, and we have deposited with the trustee, in trust, sufficient money or government obligations, or a combination thereof, to pay the principal, any interest and any other sums due on the debt securities, on the dates the payments are due or become due under the indenture and the terms of the debt securities,

then the indenture shall cease to be of further effect with respect to the debt securities of such series, except for:

- rights of registration of transfer and exchange, and our right of optional redemption;
- substitution of mutilated, defaced, destroyed, lost or stolen debt securities;
- rights of holders to receive payments of principal thereof and interest thereon upon the original stated due dates therefor (but not upon acceleration) and remaining rights of the holders to receive mandatory sinking fund payments, if any;
- the rights, obligations and immunities of the trustee under the indenture; and
- the rights of the holders of such series of debt securities as beneficiaries thereof with respect to the property so deposited with the trustee payable to all or any of them.

Defeasance and Covenant Defeasance. Unless otherwise indicated in the applicable prospectus supplement, we may elect with respect to any debt securities of any series either:

- to defease and be discharged from all of our obligations with respect to such debt securities (''defeasance''), with certain exceptions described below; or
- to be released from our obligations with respect to such debt securities under such covenants as may be specified in the applicable prospectus supplement, and any omission to comply with those obligations will not constitute a default or an event of default with respect to such debt securities (''covenant defeasance'').

We must comply with the following conditions before the defeasance or covenant defeasance can be effected:

- we must irrevocably deposit with the indenture trustee or other qualifying trustee, under the terms of an irrevocable trust agreement in form and substance satisfactory to the trustee, trust funds in trust solely for the benefit of the holders of such debt securities, sufficient money or government obligations, or a combination thereof, to pay the principal, any interest and any other sums on the due dates for those payments; and
- we must deliver to the trustee an opinion of counsel to the effect that the holders of such debt securities will not recognize income, gain or loss for federal income tax purposes as a result of defeasance or covenant defeasance, as the case may be, to be effected with respect to such debt securities and will be subject to federal income tax on the same amount, in the same manner and at the same times as would be the case if such defeasance or covenant defeasance, as the case may be, had not occurred.

In connection with defeasance, any irrevocable trust agreement contemplated by the indenture must include, among other things, provision for:

- payment of the principal of and interest on such debt securities, if any, appertaining thereto when due (by redemption, sinking fund payments or otherwise),
- the payment of the expenses of the trustee incurred or to be incurred in connection with carrying out such trust provisions,
- rights of registration, transfer, substitution and exchange of such debt securities in accordance with the terms stated in the indenture, and
- continuation of the rights, obligations and immunities of the trustee as against the holders of such debt securities as stated in the indenture.

The accompanying prospectus supplement may further describe any provisions permitting or restricting defeasance or covenant defeasance with respect to the debt securities of a particular series.

Global Securities

Unless otherwise indicated in the applicable prospectus supplement, each debt security offered by this prospectus will be issued in the form of one or more global debt securities representing all or part of that series of debt securities. This means that we will not issue certificates for that series of debt securities to the holders. Instead, a global debt security representing that series will be deposited with, or on behalf of, a securities depositary and registered in the name of the depositary or a nominee of the depositary. Any such depositary must be a clearing agency registered under the Securities Exchange Act of 1934. We will describe the specific terms of the depositary arrangement with respect to a series of debt securities to be represented by a global security in the applicable prospectus supplement.

Notices

We will give notices to holders of the debt securities by mail at the addresses listed in the security register. In the case of notice in respect of unregistered securities or coupon securities, we may give notice by publication in a newspaper of general circulation in New York, New York.

Governing Law

The particular terms of a series of debt securities will be described in a prospectus supplement relating to such series of debt securities. Any indentures will be subject to and governed by the Trust Indenture Act of 1939, as amended, and may be supplemented or amended from time to time following their execution. Unless otherwise stated in the applicable prospectus supplement, we will not be limited in the amount of debt securities that we may issue, and neither the senior debt securities nor the subordinated debt securities will be secured by any of our property or assets. Thus, by owning debt securities, you are one of our unsecured creditors.

Regarding the Trustee

From time to time, we may maintain deposit accounts and conduct other banking transactions with the trustee to be appointed under the indenture or its affiliates in the ordinary course of business.

PLAN OF DISTRIBUTION

We may sell our securities from time to time to or through underwriters, dealers or agents or directly to purchasers, in one or more transactions at a fixed price or prices, which may be changed, or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. We may also issue these securities as compensation to such agents, underwriters or dealers for making sales of our securities. We may use these methods in any combination.

By Underwriters

We may use an underwriter or underwriters in the offer or sale of our securities.

- If we use an underwriter or underwriters, we will execute an underwriting agreement and the offered securities will be acquired by the underwriters for their own account.
- We will include the names of the specific managing underwriter or underwriters, as well as any other underwriters, and the terms of the transactions, including the compensation the underwriters and dealers will receive, in the prospectus supplement. The underwriter may sell the securities to or through dealers, and the underwriter may compensate those dealers in the form of discounts, concessions or commissions.
- The underwriters will use this prospectus and the prospectus supplement to sell our securities.

By Dealers

We may use a dealer to sell our securities.

- If we use a dealer, we, as principal, will sell our securities to the dealer.
- The dealer will then resell our securities to the public at varying prices that the dealer will determine at the time it sells our securities.
- We will include the name of the dealer and the terms of our transactions with the dealer in the prospectus supplement.

By Agents

We may designate agents to solicit offers to purchase our securities.

- We will name any agent involved in offering or selling our securities and any commissions that we will pay to the agent in the prospectus supplement.
- Unless indicated otherwise in the prospectus supplement, our agents will act on a best efforts basis for the period of their appointment.
- An agent may be deemed to be underwriters under the Securities Act of 1933 (the ‘‘Securities Act’’) of any of our securities that they offer or sell.

By Delayed Delivery Contracts

We may authorize our agents and underwriters to solicit offers by certain institutions to purchase our securities at the public offering price under delayed delivery contracts.

- If we use delayed delivery contracts, we will disclose that we are using them in the prospectus supplement and will tell you when payment will be demanded and securities delivered under the delayed delivery contracts.
- These delayed delivery contracts will be subject only to the conditions set forth in the prospectus supplement.
- We will indicate in the prospectus supplement the commission that underwriters and agents soliciting purchases of our securities under delayed delivery contracts will be entitled to receive.

Direct Sales

We may directly solicit offers to purchase our securities, and we may directly sell our securities to institutional or other investors, including our affiliates. We will describe the terms of our direct sales in the prospectus supplement. We may also sell our securities upon the exercise of rights which we may issue.

Shareholder Subscription Offerings

Direct sales to our shareholders may be accomplished through shareholder subscription rights distributed to shareholders. In connection with the distribution of shareholder subscription rights to shareholders, if all of the underlying securities are not subscribed for, we may sell any unsubscribed securities to third parties directly or through underwriters or agents. In addition, whether or not all of the underlying securities are subscribed for, we may concurrently offer additional securities to third parties directly or through underwriters or agents. The shareholder subscription rights will be distributed as a dividend to the shareholders for which they will pay no separate consideration and will not be transferable. The prospectus supplement with respect to the offer of securities under shareholder subscription rights will set forth the relevant terms of the shareholder subscription rights, including:

- the number of shares of our common stock that will be offered under the shareholder subscription rights;
- the period during which and the price at which the shareholder subscription rights will be exercisable;
- any provisions for changes to or adjustments in the exercise price of the shareholder subscription rights; and
- any other material terms of the shareholder subscription rights.

General Information

Underwriters, dealers and agents that participate in the distribution of our securities may be underwriters as defined in the Securities Act, and any discounts or commissions they receive and any profit they make on the resale of the offered securities may be treated as underwriting discounts and commissions under the Securities Act. Any underwriters or agents will be identified and their compensation described in a prospectus supplement. We may indemnify agents, underwriters, and dealers against certain civil liabilities, including liabilities under the Securities Act, or make contributions to payments they may be required to make relating to those liabilities. Our agents, underwriters, and dealers, or their affiliates, may be customers of, engage in transactions with, or perform services for us in the ordinary course of business.

Representatives of the underwriters or agents through whom our securities are or may be sold for public offering and sale may engage in over-allotment, stabilizing transactions, syndicate short covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934. Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate short position. Stabilizing transactions permit bids to purchase the offered securities so long as the stabilizing bids do not exceed a specified maximum.

Syndicate covering transactions involve purchases of the offered securities in the open market after the distribution has been completed in order to cover syndicate short positions. Penalty bids permit the representative of the underwriters or agents to reclaim a selling concession from a syndicate member when the offered securities originally sold by such syndicate member are purchased in a syndicate covering transaction to cover syndicate short positions. Such stabilizing transactions, syndicate covering transactions and penalty bids may cause the price of the offered securities to be higher than it would otherwise be in the absence of such transactions. These transactions may be effected on a national securities exchange and, if commenced, may be discontinued at any time. Underwriters, dealers and agents may be customers of, engage in transactions with or perform services for, us and our subsidiaries in the ordinary course of business.

In compliance with guidelines of the Financial Institution Regulatory Authority, or FINRA, the maximum consideration or discount to be received by any FINRA member or independent broker dealer may not exceed 8% of the aggregate amount of the securities offered pursuant to this prospectus and any applicable prospectus supplement.

LEGAL MATTERS

Certain legal matters with respect to the validity of the securities being offered hereby will be passed on for us by Reed Smith LLP, Pittsburgh, Pennsylvania. Any underwriters will be advised about other issues relating to any offering by their own legal counsel.

EXPERTS

The financial statements and financial statement schedule incorporated in this prospectus by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2020, were audited by Baker Tilly US, LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such financial statements and financial statement schedule have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

This prospectus is part of the registration statement on Form S-3 we filed with the SEC under the Securities Act and does not contain all the information set forth in the registration statement. Whenever a reference is made in this prospectus to any of our contracts, agreements or other documents, the reference may not be complete and you should refer to the exhibits that are a part of the registration statement or the exhibits to the reports or other documents incorporated by reference into this prospectus for a copy of such contract, agreement or other document. We file annual, quarterly and special reports, proxy statements and other information with the SEC. Our SEC filings are available to the public at the SEC's website at http://www.sec.gov, and through a link on our website at http://www.yorkwater.com.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to ''incorporate by reference'' into this prospectus information that we file with the SEC in other documents. This means that we can disclose important information to you by referring to other documents that contain that information. The information incorporated by reference is considered to be part of this prospectus. Information contained in this prospectus and information that we file with the SEC in the future and incorporate by reference in this prospectus automatically updates and supersedes previously filed information. We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 prior to the sale of all the shares covered by this prospectus.

- Our Annual Report on Form 10-K for the year ended December 31, 2020;
- Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2021 and June 30, 2021, as filed with the SEC on May 4, 2021 and August 5, 2021, respectively;
- The description of our common stock contained in our registration statement on Form 8-A filed with the SEC, including any amendments or reports filed for the purpose of updating such description; and
- All filings we make with the SEC pursuant to the Securities Exchange Act of 1934 after the date of the initial registration statement, of which this prospectus is a part, and prior to the effectiveness of the registration statement.

You may request a copy of these documents, which will be provided to you at no cost, by writing or telephoning us using the following contact information:

The York Water Company
130 East Market Street
York, Pennsylvania 17401
Attn: Matthew E. Poff, Chief Financial Officer
Telephone: (717) 845-3601

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone to provide you with information different from that contained or incorporated by reference in this prospectus. We are offering to sell, and seeking offers to buy, securities only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of securities.

THE YORK WATER COMPANY
DATA REQUIREMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
RATE OF RETURN CAPITAL REQUIREMENTS

53.53 VII. Rate of Return

D. Water and Wastewater Utilities

3. Supply projected capital requirements and sources of company, parent and system (consolidated) for the test year and each of three comparable future years.

Response: Refer to the attached Projected Five Year Capital Requirements and Projected Statement of Cash Flows For Five Years Ended December 31, 2026.

THE YORK WATER COMPANY
Capital Budget
2022 - 2026

Description	Total	2023	2024	2025	2026
Land					
	0				
Structures and Improvements					
Amblebrook Treatment Building & Tank Site Paving	41,000				
Amblebrook Buildings - Replace Entry Doors	12,000				
Distribution - Replace entry door near power washer	6,000				
Distribution - Replace Roll Up Doors Where Meter Repair Parks	30,000				
Roof Replacements Booster Stations	65,000	50,000	30,000		
Employee Center Upgrades - Modify Entrance	75,000				
Employee Center Upgrades - Storage Barn		300,000			
Lagoon Property - Install Fence	15,000				
Brillhart - Replace Slate Roof Over New Electrical Equipment	90,000				
Brillhart - Paving	50,000				
Brillhart - Pole Barn Addition (Electronics Relocation)	120,000				
Brillhart - Office/Breakroom Addition (Electronics Relocation)	140,000				
Brillhart - Expand Perimeter of Security Fence	36,000				
Filter Plant - Basin 3 Handrail	25,000				
Main Office - 130 Rear Concrete Steps Rehab	5,000				
Main Office - IT Area Water Remediation	15,000				
Main Office - 130 Roof Replacement		100,000			
Main Office - Plumbing Upgrade Study		20,000			
Main Office - Basement Rainwater Remediation		50,000			
Replace Lighting In Mark Hardman's Office	3,000				
Light Upgrades - FP & Solids	25,000				
Install Solar Panels at Filter Plant Front Gate, Grantly Road Electric Service	15,000				
SWP Education and Grounds Improvement	50,000				
Farm Tek ClearSpan Storage Building for Topsoil	38,000				
Paint Distribution Complex Building Exteriors			150,000		
Relocate IT / Land and Building (Accounting, Billing, Engineering)			750,000		
Replace Modine Heaters Lower Shop Areas		20,000			
Collecting and Impounding Reservoirs					
Lake Williams Dam Rehabilitation - Eng / Construction Mgmt	1,860,000	1,543,000			
Lake Williams Dam Rehabilitation - Construction	13,500,000	14,809,000			
Lake Williams Water Street Abandonment	1,000,000				
Source of Supply / Demand Projection Study	80,000				
LIDA - Source of Supply / Demand Projection Study	60,000				
LIDA - Roxbury Dam Assessment & EAP Update	25,000	50,000			
LIDA - WAP Renewal Consulting		30,000			
Replace/Repair SRPS Sluice Gates/Air Burst System		150,000			
Lake Redman Dam Improvements			1,000,000		
LIDA Roxbury Dam Improvements - Engineering				500,000	
LIDA Roxbury Dam Improvements - Construction					2,000,000
Lake, River and Other Intakes					
	0				
Raw Water Mains					
Brillhart Force Main Rehabilitation		1,000,000			
Raw Water Pumping Equipment					
Brillhart Dam / Bypass Renovation - Engineering	50,000	200,000	100,000		
Brillhart Dam / Bypass Renovation - Construction			1,000,000		
Amblebrook Well 3 and Raw Water Main	120,000				
Amblebrook Well 2 and Raw Water Main		120,000			
Dual Diaphram Pump - BPS Source Water	5,000				
River PS / Redman PS Force Main Connection				3,000,000	1,600,000
Booster Pumping Equipment					
Loganville Booster Station Expansion	120,000				
Irishtown Booster Station Expansion			200,000		
West Manheim Booster Station Expansion				200,000	
DYWA Booster Station		500,000			
S. Repump East #2 - Install VFD	20,000				
Mt. Zion BS - Replace Exhaust Fan	6,500				
Longstown BS - Replace Exhaust Fan	4,500				
Penn Oaks Pressure Zone Surge Relief		100,000			

THE YORK WATER COMPANY
Capital Budget
2022 - 2026

Description	Total	2023	2024	2025	2026
Power Generation Equipment					
Amblebrook Well House Generator	70,000				
Hellam BS - Replace Generator	40,000				
Generator (Country View)	65,000				
Water Treatment Equipment					
Lab/Operations Room Renovations - Engineering	40,000		100,000		
Lab/Operations Room Renovations - Construction			1,200,000		
Water Treatment Master Plan		250,000			
FP New Chemical Handling Building - Engineering				200,000	300,000
FP New Chemical Handling Building - Construction					300,000
Finished Water Basin Renovation - Engineering				100,000	100,000
Finished Water Basin Renovation - Construction					1,250,000
Dewatering System Upgrades - Engineering				100,000	200,000
Dewatering System Upgrades - Construction					1,000,000
PAC (Carbon) Feed System Design/Install	165,000				
Tank Mixers for Each Tank Being Maintained in 2022	20,000	40,000			
Pumphouse Insulation	10,000				
Replacement Filter Effluent Turbidimeters	120,000				
Amblebrook CT Flush Point	25,000				
Benchtop Spec	6,000				
Backup Zetasizer	45,000				
UV254 Probe	30,000				
Filter Plant - New Airlock	3,200				
Filter Plant - Solids Dewatering Press #1/#2 Gearbox Upgrade	16,000				
Filter Plant - Install Air Brake Prior to Main Breakers	40,000				
Filter Plant - Dewatering Press #3 Ring Rebuild	19,000				
Filter Plant - Moyno Press Feed Pump Rebuild	13,000				
LIDA Water Plant Improvements - Engineering				300,000	200,000
LIDA Water Plant Improvements - Construction					1,000,000
Redundant Electrical Feed to Filter Plant		150,000			
Distribution Reservoirs and Standpipes					
Replace Jefferson Reservoir w\ Elevated Tank		1,800,000			
Paint Carroll Valley Tank	160,000				
Paint Spry Tank	525,000				
Pleasureville Standpipe Painting		600,000			
Penn Oaks Standpipe Painting or Replace			800,000		
Refurbish Yorkanna Tank					600,000
Greenwood Road Standpipe Replace				1,000,000	
Vireo Road Standpipe Paint				750,000	
Shunks Hill Reservoir Exterior Paint			150,000		
Distribution System Water QualityStudy/Improvement Plan					
Transmission and Distribution Mains					
Developer Financed Mains	440,000	460,000	480,000	500,000	520,000
Misc. Bonafide Customer Mains	220,000	250,000	270,000	300,000	320,000
Replacement/Relining Mains	12,920,000	13,308,000	13,707,000	14,118,000	14,542,000
Valve Replacements	1,318,000	1,459,000	1,503,000	1,584,000	1,631,000
Greenbriar Road Main Tie-In	400,000				
Amblebrook Section C Water Mains	1,000,000	300,000			
Reservoir Hill Main Inspection and Rehab			1,500,000		
North York Reinforcing Main - Phase 2				2,000,000	
Amblebrook Section D Water Mains					300,000
Service Lines					
New Service Lines	1,420,000	1,463,000	1,507,000	1,552,000	1,599,000
Replacement Service Lines	907,500	1,020,000	1,050,000	1,172,000	1,207,000
Meters					
New Meters	272,000	280,000	288,000	297,000	306,000
Replacement Meters	692,000	766,000	894,000	839,000	986,000
LIDA Meters	60,000				
Backflow Prventors					
Routine and Conventional Expenditures	32,000	32,000	32,000	32,000	32,000
Fire Hydrants					
New Hydrants	426,000	439,000	452,000	466,000	480,000
Hydrant Replacements	335,000	380,000	391,000	421,000	434,000

THE YORK WATER COMPANY
Capital Budget
2022 - 2026

Description	Total	2023	2024	2025	2026
Transportation Equipment					
Fleet Vehicle Purchase	300,000	325,000	350,000	375,000	375,000
Additional Personnel Vehicle Purchases	100,000				
LIDA Vehicle Purchases	164,000	150,000			
Angle Broom 32" x 96" Attachment (Case Compact Loader)	7,400				
Sectional Snow Pusher 8' Length (Case Compact Loader)	10,500				
Replace Spill Boat Motor	5,000				
Purchase Skid Loader / Attachments to Replace New Holland Tractor		80,000			
Tools, Shop and Garage Equipment			10,000	10,000	10,000
Shell Cutter Rehab/Replacement	8,000	8,000			
MTX 60 Rammer Replacement	5,600	2,800			
Kupfuerle Automatic Flushing Systems	3,600	3,500			
Data Logger / Correlator	20,000				
8" Godwin Pump Composite Hoses	7,000				
Laboratory Equipment					
	0				
Communication Equipment					
SCADA Upgrades - Southwestern Sites Cameras	35,000				
SCADA Upgrades		35,000	40,000	40,000	45,000
SCADA Programming - Ongoing	24,000	25,000	27,000	29,000	30,000
SCADA for New Facilities	96,000	48,000			
Fixed Collectors for LIDA and Country View	20,000				
Camers / Security Installation		15,000	15,000	15,000	15,000
Building Security Access Upgrades			20,000		
Office Furniture and Computer Equipment					
Data Warehouse	50,000	30,000	20,000	20,000	20,000
Project Labor External (GIS / Oracle Consulting)	262,100	320,000	320,000	350,000	350,000
Project Labor Internal (Includes GIS Summer Intern)	235,800	235,800	235,800	235,800	235,800
GIS Projects		10,000	10,000	10,000	10,000
GIS - Automating USIC Data Pull	7,500				
Security Incident Response Assessment / Planning	16,000				
GPS Units		11,000		11,000	
Server Hardware Refresh (Oracle)			150,000		
Server Hardware Refresh (Non-Oracle)				150,000	
Inserter for Mailroom	70,000				
Audio/Visual Equipment/Software for Communications	5,000				
Website Redesign		50,000			
Miscellaneous Equipment			10,000	10,000	10,000
STS Leak Detection Equipment	3,600	3,700			
RadioDetection RD5000 Pipe Line Locator	3,600	3,700			
Confined Space Tripod Kit for Meter Shop	5,000				
Equipment for New Main Flushing & Disinfection	15,000				
Non-operating Property					
Employee Center - Replace Pool Filter Systems	10,000				
Employee Center - Pool Liner Replacement	16,000				

THE YORK WATER COMPANY
Capital Budget
2022 - 2026

Description	Total	2023	2024	2025	2026
Wastewater					
Developer Financed Sewer Main Extensions	200,000	200,000	200,000	200,000	200,000
Amblebrook WWTP Expansion - Engineering	60,000				
Amblebrook WWTP Expansion - Construction		2,400,000			
Amblebrook Section C Sewer Mains	1,200,000	300,000			
Joshua Hill WWTP Design Update - Engineering	120,000				
Joshua Hill WWTP - Construction		2,000,000	2,200,000		
Joshua Hill - Phase 1 Sanitary Sewer Construction		400,000	400,000		
Felton WWTP Expansion - Design			300,000		
Felton WWTP Expansion - Construction				2,500,000	
Lower Windsor Sewer Capacity Expansion - Engineering		120,000	40,000		
Lower Windsor Sewer Capacity Expansion - Construction			2,500,000		
Hedgewick Lane Pumping Station Expansion		400,000			
Replace Existing Main	1,000,000	1,000,000	1,500,000	1,700,000	1,700,000
I & I Reduction / Manhole Rehab	15,000	15,000			
Generator (SYC)	50,000				
Generator (East Branch Lift Station)	65,000				
West Manheim Upgrade DGM Controls	25,000				
SYC Replace/Upgrade UV system	15,000				
Moisture Balance x2	8,000				
AC Split Unit LWWWTP Office/Lab/VFD Room	10,000				
Samplers	15,000	15,000			
Install Bypass Valves @ Lift Stations in Jacobus	30,000	30,000			
Access for LABS Personnel @ EP	3,000				
Shelving/Workbench/Chemical Storage @ EP	2,500				
Purchase (2) - 2" Trash Pumps, Hose and Fittings for General Use	7,500				
Roof Replacement (Lab) & Gutter Guard (Chem Bldg) (LW)	6,000				
Grinder/Spiral Lift Upgrade and Maintenance @ Lower Windsor	33,000				
Rebuild Pumps	10,000				
Generator (Country View)		70,000			
Amblebrook Section D Sewer Mains					500,000
West Manheim Collection System Improvements					2,000,000
LIDA Collection System Improvements					1,000,000
Total	43,942,400	50,345,500	35,901,800	35,086,800	37,407,800

THE YORK WATER COMPANY
PROJECTED STATEMENT OF CASH FLOWS
FOR FIVE YEARS ENDING DECEMBER 31, 2026

	2022	2023	2024	2025	2026
FUNDS PROVIDED FROM:					
Net income	$16,156,738	$ 17,638,260	$17,646,141	$18,089,809	$19,948,362
Expenses not requiring cash outlay					
Depreciation	10,129,693	10,799,931	11,309,772	12,041,483	12,891,360
Deferred Income Tax	79,903	86,264	98,034	100,499	110,824
Long-Term Debt Paydown	(7,500,000)	-	-	-	(330,000)
Short-Term Borrowings (Repayments), Net	(33,943,807)	(2,014,888)	15,969,093	(18,045,666)	14,886,481
Cash Used (Received)	-	-	-	-	-
Dividend Reinvestment, Direct Stock Purchase Plan and Employee Stock Purchase Plan	2,238,811	2,326,536	2,379,554	2,434,998	2,492,971
Stock Offering	40,000,000	-	-	-	-
Long Term Debt Issuance	30,000,000	32,500,000	-	32,500,000	-
Construction Expenditures	(47,014,900)	(50,345,500)	(35,901,800)	(35,086,800)	(37,407,800)
Customers' Advances for Construction (net of refunds)	563,836	563,836	563,836	563,836	563,836
Dividends	(10,710,274)	(11,554,439)	(12,064,631)	(12,598,158)	(13,156,035)
Change in Working Capital	$0	$0	$0	$0	$0
INTERNALLY GENERATED FUNDS	15,656,060	16,970,017	16,989,317	17,633,632	19,794,512
RATIO OF INTERNALLY GENERATED FUNDS TO CONSTRUCTION EXPENDITURES NET OF ADVANCES	33.7%	34.1%	48.1%	51.1%	53.7%
Dividend Payout Ratio	66.3%	65.5%	68.4%	69.6%	66.0%

THE YORK WATER COMPANY

DATA REQUIREMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

RATE OF RETURN DEBT SCHEDULE

53.53 VII Rate of Return

D. Water and Wastewater Utilities

4. Provide a schedule of debt and preferred stock of company, parent and system (consolidated) as of test year-end and latest date, detailing for each issue (if applicable):

a. Date of issue
b. Date of maturity
c. Amount issued
d. Amount outstanding
e. Amount retired
f. Amount required
g. Gain on reacquitision
h. Coupon rate
i. Discount or premium at issuance
j. Issuance expenses
k. Net proceeds
l. Sinking fund requirements
m. Effective interest rate
n. Dividend rate
o. Effective cost rate
p. Total average weighted effective cost rate.

RESPONSE: Refer to Exhibit No. FVII
.

THE YORK WATER COMPANY
DATA REQUIREMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
RATE OF RETURN FINANCIAL DATA

53.53 VII. Rate of Return

D. Water and Wastewater Utilities

5. Supply financial data of company and/or parent for last five years:

a. Earnings-price ratio (average).
b. Earnings-book value ratio (per share basis) (avg. book value).
c. Dividend yield (average).
d. Earnings per share (dollar).
e. Dividends per share (dollars).
f. Average book value per share yearly.
g. Average yearly market price per share (monthly high-low basis).
h. Pre-tax funded debt interest coverage.
i. Post-tax funded debt interest coverage.
j. Market price-book value ratio.

Response: Refer to Exhibit No. FVII-5.

THE YORK WATER COMPANY
DATA REQUIREMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
RATE OF RETURN AFUDC RATE

53.53 VII. Rate of Return

D. Water and Wastewater Utilities

6. Provide AFUDC charged by company at test year-end and latest date, explain method by which rate was calculated and provide workpaper showing derivation of the company's current AFUDC rate.

Response: The AFUDC rate used by the Company as of December 31, 2021 was 10.04%.

The AFUDC rate is set by the Company based upon the sum of the weighted cost of debt and the weighted cost of common equity as determined in the Company's most recent fully-litigated rate proceeding before the Pennsylvania Public Utility Commission. The AFUDC rate used by the Company has not changed since December 31, 1992.

Component	Weighted Cost Rate
Long Term Debt	5.61
Common Equity	4.43
	10.04

THE YORK WATER COMPANY
DATA REQUIREMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
RATE OF RETURN COVERAGE REQUIREMENTS

53.53 VII. Rate of Return

D. Water and Wastewater Utilities

7. Set forth provisions of company's and parent's charter and indentures (if applicable) which describe coverage requirements, limits on proportions of types of capital outstanding, and restrictions on dividend payouts.

Response:

Additional funded debt may be issued to the extent that total funded debt does not exceed an amount equal to 60% of net property additions, at the time the Company first becomes liable in respect of such indebtedness.

The most restrictive limitation upon payment of dividends on common stock is contained in the note agreements securing the senior notes issued by The York Water Company and all subsequent issues. This restriction provides that cash dividends paid on common stock and buybacks of common stock may not exceed the amount of earned surplus accumulated subsequent to December 31, 1982 plus $1,500,000. As of December 31, 2021, none of the earnings retained in the business are restricted under this provision.

Under the Pedfa Series A debt issue of 2008, the Pedfa Series A and B debt issues of 2019, the YCIDA Series of 2015, and the line of credit, York Water Company is required to maintain an equity to total capitalization ratio of 38% and a minimum interest coverage ratio of 1.80.
The Company has been able to maintain these ratios in all periods.

THE YORK WATER COMPANY
DATA REQUIREMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
RATE OF RETURN BUDGET

53.53 VII. Rate of Return

D. Water and Wastewater Utilities

8. Attach copies of the summaries of the company's projected budgets for the next two years (revenues, expenses and capital).

Response: Refer to Exhibit No. HXI-4 for a copy of the Company's Financial Budget for 2022.

The Company's Financial Forecast for 2023 is attached.

Refer to Exhibit No. HVII-3 for the Projected Five Year Capital Requirements for Five Years Ending December 31, 2026.

BUDGETED NET INCOME FOR 2023
CONSOLIDATED

22-Nov-21

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
OPERATING REVENUES													
Residential	3,063,315	2,554,907	3,141,067	2,923,868	3,238,213	3,311,137	3,341,729	3,160,889	3,167,163	3,201,155	2,980,623	3,109,571	37,193,637
Commercial	832,723	773,177	955,048	890,162	986,814	990,416	1,139,567	1,107,661	1,098,087	1,070,197	962,575	942,908	11,749,334
Industrial	321,681	303,880	349,909	348,997	384,319	392,428	400,384	412,590	376,650	371,021	355,470	339,460	4,356,788
Fire Protection and Other	386,563	324,631	400,115	351,013	366,765	383,300	393,489	375,606	403,478	391,798	364,048	393,113	4,533,920
Revenue Offset - Tax Rate Change	0	0	0	0	0	0	0	0	0	0	0	0	0
Wastewater	324,494	311,551	353,268	342,005	348,289	352,167	371,234	363,539	375,634	367,339	363,826	362,533	4,235,879
	4,928,776	4,268,145	5,199,407	4,856,044	5,324,401	5,429,447	5,646,403	5,420,285	5,421,013	5,401,510	5,026,543	5,147,585	62,069,559
OPERATING EXPENSES													
SOURCE OF SUPPLY													
Salaries and Wages-Operations	10,669	11,688	10,362	11,329	7,419	9,687	10,590	7,795	11,457	10,510	15,655	12,962	130,123
Salaries and Wages-Maintenance	16,880	20,240	27,456	24,909	22,635	26,422	23,443	22,269	25,538	18,863	18,366	15,814	262,835
Purchased Power	54,794	49,842	55,125	60,436	57,437	55,747	63,210	50,983	59,895	65,446	49,218	61,627	683,758
Fuel	1,570	1,873	1,725	1,432	929	141	6,549	3,749	1,240	1,953	2,965	1,303	25,429
Misc Expenses-Operations	10,687	11,291	13,807	4,711	4,327	11,951	4,253	6,671	7,085	5,330	7,789	12,792	100,695
Misc Expenses-Maintenance	23,099	19,133	15,618	15,552	15,132	20,898	12,850	15,546	23,346	12,483	16,855	11,412	201,924
	117,699	114,066	124,092	118,369	107,879	124,846	120,895	107,014	128,561	114,584	110,848	115,910	1,404,763
WATER TREATMENT													
Salaries and Wages-Operations	78,741	76,065	85,428	86,362	86,645	85,632	89,500	94,543	102,447	82,674	93,138	106,158	1,067,332
Salaries and Wages-Maintenance	14,329	13,549	13,611	13,542	15,110	14,502	17,549	20,648	14,783	18,787	17,996	14,961	189,367
Chemicals	42,935	36,794	42,086	47,098	61,896	74,160	100,381	118,146	100,887	89,595	68,693	64,070	846,740
Misc Expenses-Operations	48,812	58,434	46,327	46,763	47,530	46,292	56,353	67,424	58,805	49,351	66,597	47,235	639,925
Misc Expenses-Maintenance	26,059	27,753	27,410	20,781	19,695	30,463	43,794	43,901	44,876	46,543	50,174	42,034	423,483
	210,876	212,595	214,862	214,545	230,876	251,050	307,577	344,662	321,798	286,951	296,599	274,458	3,166,847
TRANSMISSION AND DISTRIBUTION													
Salaries and Wages-Operations	155,959	146,306	154,819	151,972	145,116	156,103	154,971	150,319	167,522	149,610	169,901	156,770	1,859,367
Salaries and Wages-Maintenance	88,635	92,522	99,830	84,215	97,728	95,689	93,005	93,534	82,593	97,827	80,967	100,402	1,106,947
Purchased Power	40,474	38,891	44,656	37,640	44,325	33,370	46,685	41,604	41,525	46,762	46,901	47,327	510,160
Misc Expenses-Operations	41,825	32,173	44,542	25,403	30,318	36,655	52,866	38,652	51,211	30,689	35,198	34,305	453,838
Misc Expenses-Maintenance	138,980	150,018	211,233	185,593	182,848	194,983	211,011	206,806	188,955	158,118	165,239	169,947	2,163,732
	465,873	459,910	555,081	484,823	500,335	516,799	558,538	530,916	531,807	483,005	498,207	508,751	6,094,044
CUSTOMERS ACCOUNTS													
Salaries and Wages-Operations	84,956	82,449	90,226	86,203	80,243	83,306	82,695	85,528	85,160	85,149	82,442	78,916	1,007,274
Misc Expenses-Operations	83,026	76,386	82,653	86,159	75,282	82,343	86,382	75,551	79,479	76,472	87,973	74,410	966,117
	167,982	158,835	172,879	172,363	155,525	165,650	169,077	161,079	164,639	161,621	170,415	153,326	1,973,390
ADMINISTRATIVE AND GENERAL													
Salaries and Wages-Operations	195,237	195,902	218,154	219,597	215,988	220,415	209,730	201,993	219,326	208,204	201,651	316,056	2,622,253
Salaries and Wages-Maintenance	2,387	2,254	1,440	1,960	855	1,574	690	1,221	1,257	2,403	1,405	2,827	20,273
Pension and 401k	72,905	65,601	64,985	62,429	60,440	60,198	60,398	59,116	57,013	53,517	52,564	57,887	727,053
Health Insurance	131,329	129,189	30,943	129,193	127,053	30,943	131,761	129,621	30,943	134,329	132,189	30,943	1,168,434
Contractual Services	47,111	36,813	60,300	47,114	57,062	49,075	32,646	37,405	48,931	27,643	33,710	62,717	540,526
General Insurance	105,046	105,046	105,046	105,046	105,046	105,046	105,046	105,046	105,046	105,046	105,046	105,046	1,260,546
Rate Case Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
Bad Debt Expense	33,750	33,750	33,750	33,750	33,750	33,750	33,750	33,750	33,750	33,750	33,750	33,750	405,000
Shareholder Expense	22,145	18,437	18,437	23,175	24,617	19,467	22,145	18,437	19,467	22,145	18,437	20,497	247,406
Misc Expenses-Operations	125,208	96,578	131,946	91,223	182,667	109,263	104,459	115,679	97,464	104,676	127,591	103,838	1,390,592
Misc Expenses-Maintenance	26,057	29,034	25,460	25,675	25,268	28,406	25,236	23,887	25,454	28,156	42,754	28,264	333,651
Adm and General Exp Capitalized	-65,460	-65,460	-65,460	-65,460	-65,460	-65,460	-65,460	-65,460	-65,460	-67,404	-67,404	-67,404	(791,349)
Allocation to Wastewater	(49,642)	(48,659)	(54,842)	(53,348)	(56,043)	(57,300)	(52,073)	(57,237)	(44,437)	(46,817)	(47,529)	(71,554)	(639,481)
Prepaid Pension Cost	90,459	90,459	90,459	90,459	90,459	90,459	90,459	90,459	90,459	90,459	90,459	90,459	1,085,504
	736,531	688,943	660,617	710,812	801,702	625,834	698,787	693,916	619,212	696,105	724,623	713,325	8,370,408
WASTEWATER													
Salaries and Wages-Operations	39,055	40,048	48,760	49,785	48,305	48,150	52,094	54,229	57,623	56,579	53,323	59,511	607,462
Salaries and Wages-Maintenance	808	312	541	1,599	2,413	2,697	3,453	1,761	1,570	1,165	809	668	17,795
Purchased Power	6,868	3,526	7,556	4,707	5,891	2,991	12,709	11,137	13,191	12,584	12,584	14,659	108,404
Misc Expenses-Operations	232,330	231,481	239,135	221,606	224,490	225,805	236,847	230,533	233,282	231,434	232,225	235,506	2,774,674
Misc Expenses-Maintenance	9,180	6,497	17,276	11,919	15,369	41,792	12,128	12,175	11,478	13,969	8,675	15,649	176,107
Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0

BUDGETED NET INCOME FOR 2023
CONSOLIDATED

22-Nov-21

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Other Taxes	4,465	4,866	5,682	5,323	5,239	5,917	5,420	5,143	6,035	5,058	4,980	5,571	63,700
Allocations	46,973	45,003	50,191	47,415	51,076	50,861	46,644	52,645	39,493	43,456	44,859	67,449	586,065
	339,679	331,734	369,141	342,354	352,782	378,214	369,295	367,623	362,672	364,245	357,454	399,013	4,334,207
DEPRECIATION/AMORTIZATION	865,551	865,551	865,551	895,367	895,367	895,367	912,058	912,058	912,058	927,001	927,001	927,001	10,799,931
OTHER TAXES	119,413	113,345	125,412	110,422	109,604	111,720	113,697	112,798	111,738	108,955	108,685	123,889	1,369,678
TOTAL OPERATING EXPENSES	3,023,604	2,944,980	3,087,635	3,049,056	3,154,070	3,069,479	3,249,924	3,230,065	3,152,485	3,142,467	3,193,831	3,215,673	37,513,268
OPERATING INCOME	1,905,172	1,323,165	2,111,772	1,806,988	2,170,331	2,359,968	2,396,479	2,190,220	2,268,528	2,259,043	1,832,712	1,931,912	24,556,290
INTEREST EXPENSE AND OTHER INCOME													
Interest on Long-term Debt	343,607	343,607	343,607	431,107	431,107	431,107	431,107	431,107	431,107	431,107	431,107	406,804	4,886,479
Interest on Short-term Debt	47,827	50,204	46,539	826	5,545	10,265	14,405	18,545	22,686	29,792	34,377	38,962	319,972
Interest Capitalized	(78,804)	(70,444)	(87,913)	(99,613)	(114,268)	(124,204)	(145,047)	(159,414)	(187,014)	(158,484)	(174,798)	(185,854)	(1,585,857)
Other Pension Costs	101,208	101,208	101,208	101,208	101,208	101,208	101,208	101,208	101,208	101,208	101,208	101,208	1,214,496
Supplemental Retirements Expense	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	359,949
Contributions	100	100	49,889	250	4,000	1,500	3,000	0	100	250	500	500	60,189
Other Income and Deductions	(1,749)	12,104	(7,178)	(6,015)	(7,847)	(3,743)	(4,866)	(10,390)	(5,803)	(7,754)	(10,969)	(8,256)	(62,467)
	442,184	466,774	476,148	457,758	449,741	446,129	429,803	411,052	392,279	426,114	411,420	383,360	5,192,761
INCOME BEFORE TAXES	1,462,988	856,391	1,635,625	1,349,230	1,720,590	1,913,839	1,966,676	1,779,168	1,876,250	1,832,929	1,421,292	1,548,552	19,363,530
FEDERAL AND STATE INCOME TAXES	332,098	33,485	29,114	98,899	229,527	34,066	319,978	195,175	9,381	279,888	155,916	7,743	1,725,270
NET INCOME	1,130,890	822,906	1,606,511	1,250,331	1,491,063	1,879,773	1,646,698	1,583,993	1,866,869	1,553,041	1,265,376	1,540,809	17,638,260
EARNINGS PER SHARE	0.080	0.058	0.114	0.089	0.106	0.133	0.117	0.112	0.132	0.110	0.090	0.109	1.250
DIVIDENDS PER SHARE	0.068	0.068	0.068	0.068	0.068	0.068	0.068	0.068	0.068	0.070	0.070	0.070	0.819
NUMBER OF SHARES	14,084,909	14,086,589	14,095,460	14,097,141	14,098,821	14,114,297	14,115,977	14,121,018	14,126,543	14,128,223	14,129,903	14,139,045	14,139,045

THE YORK WATER COMPANY
DATA REQUIREMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
RATE OF RETURN DEBT REACQUISITIONS

53.53 VII. Rate of Return

D. Water and Wastewater Utilities

9. Describe long-term debt reacquisitions by company and parent as follows:
   a. Reacquisitions by issue by year.
   b. Total gain on reacquisitions by issue by year.
   c. Accounting of gain for income tax and book purposes.

Response: a. Reacquisition by Issue by Year:

3.3% Debentures due 1979 - In 1969, debentures in the principal amount of $128,000 were reacquired.

4.8% Debentures due 1982 - In 1959, debentures in the principal amount of $246,000 were reacquired.

6.0% PEDFA Series 2008B - In 2011, the Company bought back the principal amount of $115,000 under an estate feature.

6.0% PEDFA Series 2008B - In 2013, the Company bought back the principal amount of $5,000 under an estate feature.

4.5% PEDFA Series 2014 - In 2016, the Company bought back the principal amount of $10,000 under an estate feature.

5.0% Monthly Senior Notes Series 2010A - In 2019, the Company bought back the principal amount of $15,000,000 under a call provision.

4.75% YCIDA Series 2006 - In 2019, the Company bought back the principal amount of $10,500,000 under a call provision.

4.5% PEDFA Series 2014 - In 2019, the Company bought back the principal amount of $14,870,000 under a call provision.

b. Total Gain on Reacquisition by Issue by Year:

3.3% Debentures due 1979 - In 1969, the total gain on the reacquisition of debentures was $56,000.

4.8% Debentures due 1982 - In 1959, the total gain on the reacquisition of debentures was $95,325.

There were no gains on any other reacquisition as the bonds were bought back at par.

c. Accounting of Gain for Income Tax and Book Purposes:

3.3% Debentures due 1979 - For book purposes, the total gain on the reacquisition of debentures of $56,000 was deferred in 1969 and amortized over a ten-year period. For tax purposes, the total gain on the reacquisition of debentures of $56,000 was deducted from the tax basis of 1969 depreciable assets.

4.8% Debentures due 1982 - For book purposes, the total gain on the reacquisition of debentures of $95,325 was deferred in 1959 and amortized over a ten-year period. For tax purposes, the total gain on the reacquisition of debentures of $95,325 was deducted from the tax basis of 1959 depreciable assets.

THE YORK WATER COMPANY
DATA REQUIREMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
RATE OF RETURN COMPENSATING BANK BALANCES

53.53 VII. Rate of Return

D. Water and Wastewater Utilities

10. Provide the following information concerning compensating bank balance requirements for actual test year:

a. Name of each bank.
b. Address of each bank.
c. Type of accounts with each bank (checking, savings, escrow, other services, etc.)
d. Average daily balance in each account.
e. Amount and percentage requirements for compensating bank balances at each bank.
f. Average daily compensating bank balance at each bank.
g. Documents from each bank explaining compensating bank balance requirements.
h. Interest earned on each type of account.

Response: The Company has no compensating balance requirements.

THE YORK WATER COMPANY
DATA REQUIREMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
RATE OF RETURN BANK NOTES PAYABLE

53.53 VII. Rate of Return

D. Water and Wastewater Utilities

11. Provide the following information concerning bank notes payable for actual test year:
   a. Line of credit at each bank.
   b. Average daily balances of notes payable to each bank, by name of bank.
   c. Interest rate charged on each bank note (prime rate formula).
   d. Purpose of each bank note (e.g.-construction, fuel storage, working capital, debt retirement).
   e. Prospective future need for this type of financing.

Response:

	Fulton
Line of Credit	$ 50,000,000
Average Daily Balance	$ 11,487,404
Interest Rate	LIBOR + 1.05% LIBOR floor of 0.25% Unused fee of 0.05%
Purpose	Construction, Acquisitions, and Working Capital

The Company expects to need this type of financing indefinitely into the future. When all cash on hand has been used, this type of financing will be used for construction expenditures, acquisitions, or working capital until permanent capital is issued.

THE YORK WATER COMPANY
DATA REQUIREMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
RATE OF RETURN COMMON STOCK OFFERINGS

53.53 VII. Rate of Return

D. Water and Wastewater Utilities

12. Submit details on company or parent common stock offerings (past five years to present) as follows:

a. Date of prospectus.
b. Date of offering
c. Record date.
d. Offering period - dates and number of days.
e. Amount and number of shares of offering.
f. Offering ratio (if rights offering).
g. Percent subscribed.
h. Offering price.
i. Gross Proceeds per share.
j. Expenses per share.
k. Net proceeds per share (i -j).
l. Market price per share.
   (1) At record date.
   (2) At offering date.
   (3) One month after close of offering.
m. Average market price during offering.
   (1) Price per share.
   (2) Rights per share - average value of rights.
n. Latest reported earnings per share at time of offering
o. Latest reported dividends at time of offering.

Response: Refer to page 2.

THE YORK WATER COMPANY
DATA REQUIREMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
RATE OF RETURN COMMON STOCK OFFERINGS

In April, 2022, the Company closed an underwritten public offering of 976,600 shares and an over-allotment of 146,340 shares. Janney Montgomery Scott LLC was the underwriter in the offering. The Company received net proceeds in the offering, after deducting offering expenses and underwriter's discounts and commissions, of approximately $44.0 million. The net proceeds were used for general corporate purposes, including the Company's capital investment program, repayment of outstanding indebtedness, and potential acquisitions.

The Securities Certificate for the issuance of up to 1,250,000 shares of common stock was registered by the Commission in its Order at Docket No. S-2021-3029613, dated January 13, 2022.

The Company has no parent.

Date of Prospectus	April 1, 2022
Date of Offering	April 1, 2022
Record Date	February 28, 2022
Offering Period	April 5, 2022
Amount and Number of Shares of Offering	$45,999,540 1,121,940 shares
Percent Subscribed	100%
Offering Price and Gross Proceeds Per Share	$41.00
Expenses Per Share	$1.64
Net Proceeds Per Share	$39.36

Market Price Per Share:	
Record Date	$44.87
Offering Date	$43.67
One Month After Closing	TBD
Average Market Price During Offering:	
Price Per Share	$43.23
Latest Reported Earnings Per Share At Offering (Annual)	$1.30
Latest Declared Dividends:	
Per Share At Offering (Annual)	$0.757

THE YORK WATER COMPANY
DATA REQUIREMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
RATE OF RETURN AFFILIATES

53.53 VII. Rate of Return

D. Water and Wastewater Utilities

13. Attach chart explaining company's corporate relationship to its affiliates (system structure).

Response: The Company has no affiliates.

THE YORK WATER COMPANY
DATA REQUIREMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
RATE OF RETURN

53.53 VII. Rate of Return

D. Water and Wastewater Utilities

14. If the utility plans to make a formal claim for a specified allowable rate of return, provide the following data in statement or exhibit form:

a. Claimed capitalization and capitalization ratios with supporting data.
b. Claimed cost of long-term debt with supporting data.
c. Claimed cost of short-term debt with supporting data.
d. Claimed cost of total debt with supporting data.
e. Claimed cost of preferred stock with supporting data.
f. Claimed cost of common equity with supporting data.

Response: Refer to Exhibit No. FVII.

THE YORK WATER COMPANY
DATA REQUIREMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
RATE OF RETURN FINANCIAL REPORTS

53.53 VII. Rate of Return

D. Water and Wastewater Utilities

15. Supply copies of the following documents for the company and, if applicable, its parent:

a. Most recent annual report to shareholders including any statistical supplements.
b. Most recent SEC form 10K.
c. All SEC form 10Q reports issued within last year.

Response:

A copy of the most recent annual report to shareholders is attached.

A copy of the most recent SEC Form 10-K and all SEC Forms 10-Q issued within the last year are attached.

THE YORK WATER COMPANY

2021 Annual Report

New HORIZONS

1931

Names of Directors left to right:
Charles M. Nes
Chester G. Myers
William H. Kurtz, Esq.
George Hay Kain, Esq.
Charles M. Kerr, President
Grier Hersh
John E. Baker
James H. Schall
W.F.O. Rosenmiller

1967

Names of Directors left to right:
H. Dietz Keller
W.F.O. Rosenmiller, II
Irvin S. Naylor
William H. Kain, Esq.
Wilbur C. Beitzel
George S. Schmidt, President
S. Walter Stauffer
William H. Baker
William J. Perry
J.J. Barr (Absent)

2021

Names of Directors left to right:
Joseph T. Hand, President
Ernest J. Waters
Jody L. Keller, SPHR
Jeffrey R. Hines, P.E.
George Hay Kain, III
Cynthia A. Dotzel, CPA, Chair
George W. Hodges
Steven R. Rasmussen, CPA
Michael W. Gang, Esq.
Erin C. McGlaughlin
Robert P. Newcomer

The York Water Company Board of Directors has held Board and Committee meetings in the Board Room at 130 East Market Street in Downtown York since it was built in 1929. The Board Room has not changed in over 90 years. The chairs, table, fireplace, artwork, and artifacts are all original, and our current Board of Directors experience and utilize these items in the same way that their predecessors did decades ago, serving as a constant reminder that our mission and dedication to this community has not wavered.

New HORIZONS

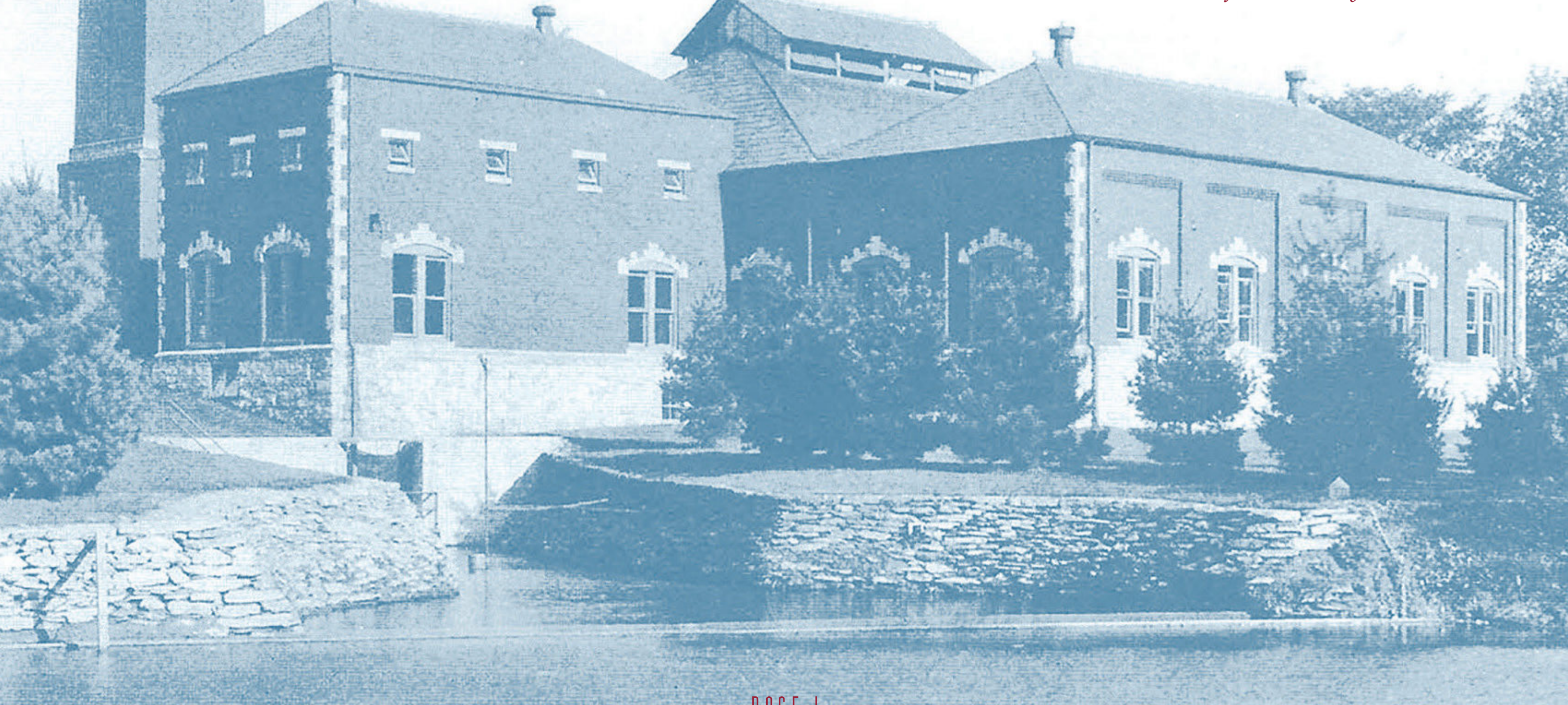
In 2021, we took time to reflect upon those who came before us – and laid the foundation for our current success. The adjacent page captures the board leadership upon whose shoulders our Company stands today. From 1931, to 1967, and 50 years later to 2021, our Directors have laid the course for our corporate horizons.

Growth is foundational to success for all of our stakeholders and the communities we serve. We are expanding geographically, financially, and structurally. In 2021, York Water took bold, expansive steps with westward territory expansion in both water and wastewater, adding new sources of supply, new treatment works, and the prospect for thousands of new customers in York, Adams, and Franklin counties. Our capital investments in the last two years have been exceptional, with 2021 placement exceeding 2020.

2021 was once again a year of records for York Water, with record earnings leading the list. At the close of 1971, the Company's Balance Sheet reflected $19.2 million in utility plant, at original cost, an increase of approximately $0.4 million from 1970, the year prior. By comparison, as we close our books on 2021, the Company's balance sheet reflects over $485 million in utility plant, at original cost, and an increase of $47 million from 2020. This nearly 11% increase was achieved through extraordinary effort from across the breadth and depth of the Company and serves as a testament to our commitment to investment in the water and wastewater infrastructure that sustains the customers and communities we serve.

In the pages that follow, what shall resonate for generations to come, is that in spite of the pandemic uncertainty and obstacles, in spite of 2021's inflationary pressures, and in spite of the 2021 Great Resignation, our Company and our employees thrived.

In 2021, we made generational investments in Brillhart Pumping Station (pictured here), which has been in service for over 125 years.



JT Hand

Dear Shareholders,

March 2, 2022 marks my second anniversary as The York Water Company's 22nd President and Chief Executive Officer, and each and every day of these two years I was reminded of the incomparable privilege I hold to serve in this capacity. While indications suggest a pandemic on the wane, the fact remains that the employees of our Company have now persevered through nearly two years of pandemic constraints and have been unfailing in their service. While virtual and remote alternatives have been options for employees and operations in other industries, our mission-essential utility employees have been physically present and resolute in their duties. From Customer Service to Finance and Accounting – From Human Resources to Engineering and Construction – From Information Technology to Distribution Support – and From Water and Wastewater Operations to Maintenance and Grounds – our employees have secured the achievements in the pages that follow.

Board Leadership

For ten years Director George Hodges served as Chairman of the Board, leading York Water to historic financial, operational, and cultural achievements. Our Company's strategy of investment in operational resilience and redundancy was laid by Chairman Hodges early in his tenure. His calm and reassuring leadership as Chairman, and most acutely through the novel coronavirus pandemic and concurrent CEO transition, were instrumental to the operational and financial success of our Company. His unwavering commitment to York Water, his steady hand, and his ability to translate vision to results will be his legacy and set the standard for our executive leadership team. Director Hodges remains on the Board where he will continue to share his expertise as we execute our plan for the future of The York Water Company.

In selecting Director Cindy Dotzel to succeed Director Hodges as Chair, the Nomination and Corporate Governance Committee, led by Director Ernest Waters, recognized the tremendous leadership and financial expertise contributed by Director Dotzel. Having served on the Board of Directors from 2009 to 2015, and reappointment to the Board in 2019, she earned the trust and respect of the Board.

We are grateful to our shareholders for their trust and confidence in our Nation's Oldest Investor-Owned Utility.

Joseph T. Hand

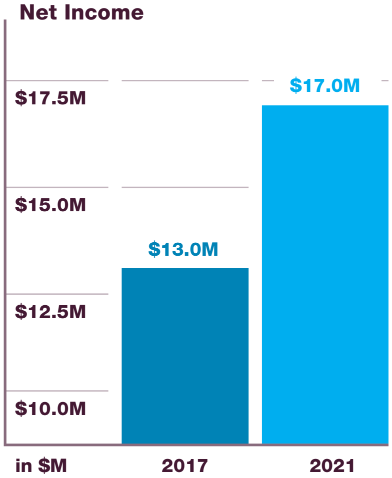
President and Chief Executive Officer

Dale Gruver, Skilled Maintenance Man, is just one of the 110 employees whose commitment to our mission has not wavered throughout the pandemic.

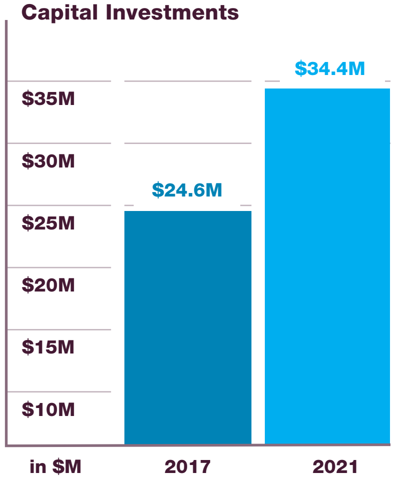
*"**Director Dotzel** will lead the Board of Directors and the Company into the future with strength, unity, and resolve. Cindy embodies the culture of York Water and understands how to capitalize on our culture and history to advance the mission and goals of our Company." – **George Hodges, Chairman, 2010 - 2021.***

Year After Year York Water Exceeds Expectations

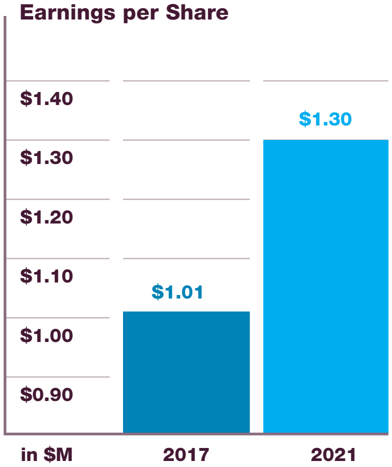
Net Income



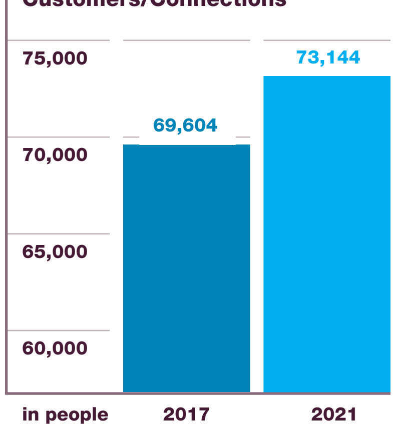
Capital Investments



Earnings per Share



Water & Wastewater Customers/Connections



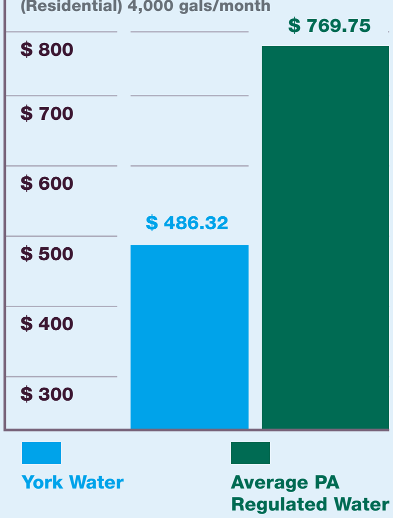
Financial Statistics

In the past five years, we achieved remarkable growth and expansion at The York Water Company. Both 2020 and 2021 were record years in almost every financial performance category.

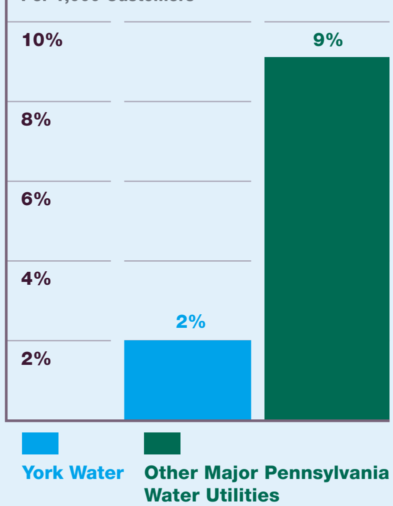
Comparing 2017 to 2021, York Water's capital investment portfolio has grown from $24.6 million annual investment in 2017 to $34.4 million annual investment in 2021, representing a 40% growth in investments. Net income increased 31% from $13 million in 2017 to $17 million in 2021.

Earnings per share also increased from $1.01 in 2017 to $1.30 in 2021. The water and wastewater customer base has grown 5% since 2017. Our expanding customer base trajectory is based upon thoughtful and strategic transactions, as well as a longstanding community customer service philosophy. Our water service systems have expanded into Adams County, where we now own and manage a separate water supply source, utilizing groundwater rather than surface water from our York County reservoirs. All of these changes represent consequential landmark shifts in York Water's daily operations, personnel, and the manner in which we deliver services.

2021 Average Annual Cost for Water
(Residential) 4,000 gals/month



2020 Justified Complaint Rate*
Per 1,000 Customers



*2021 Justified Complaint Rate results not available at time of report. Data shows 2020 statistic.

Customer Satisfaction

York Water surpasses our Pennsylvania water utility peers with a reasonable and affordable average annual cost of water, while having the lowest customer complaint rate.

Our Average Annual Cost for Water is over 36% lower than our Pennsylvania water utility peers. Our Justified Customer Complaint Rate is far below the industry average at just over 2% per 1,000 customers.

York Water continues to provide an unmatched level of customer service to the communities that we serve.

Facility Enhancements and Investments

The South Branch of the Codorus Creek runs behind Brillhart Pumping Station, which has been transferring water to our Filter Plant for over 125 years.

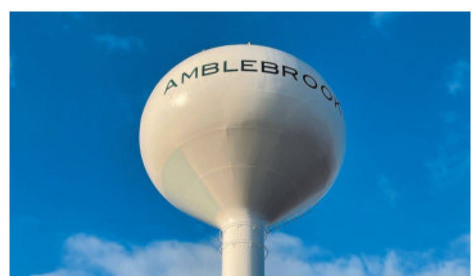
Brillhart Pumping Station (York County) has been transferring water from the Codorus Creek to the York Water filter plant for over 125 years. In 2021, we made generational investments, replacing old pumps with three new efficient pumps, state-of-the-art electrical systems, and a backup generator located beyond the floodplain. The new pumps have higher efficiencies and varied capacities so that the Company is better able to "right size" the withdrawal volume from the Creek to match finished water storage and customer use. The project overall increases energy efficiency, extends equipment life, increases resiliency of our system, and better protects the water source environment.

Lower Windsor Wastewater Plant (York County) was significantly upgraded in 2021 to double its treatment capacity to 175,000 gpd. The plant treatment was also improved to provide more significant reduction of nitrogen and phosphorous in the effluent, helping to improve the Chesapeake Bay watershed. The upgraded facility allows for improved and refined operational control of treatment and provides increased capacity to accommodate future growth in the area.

Jacobus Borough (York County) became a wastewater system customer in 2020, and 2021 evaluations and investments in the system were made to bring key components of this wastewater system up to York Water standards. Almost all of the system was in-camera inspected, pump stations were improved with new pumps, and additional upgrades to the electrical systems and other related components were completed. Wastewater from Jacobus is treated at the nearby Springfield Township Sewer Authority plant.

Letterkenny Township Wastewater System (Franklin County) was acquired in September of 2020 and represented the 50th municipality served by York Water. In 2021, York Water invested in many treatment improvements to this facility, including enhanced aeration, new mixers, samplers, and efficient generators to ensure that this facility meets the high York Water operational standards.

Amblebrook Gettysburg (Adams County) was added to the York Water system in late 2020. This remarkable 55+ community anticipates 2,000 units, with extensive recreational and community facilities, with over 100 homes constructed as of December 2021. Service to this community includes water and wastewater. https://amblebrookgettysburg.com/



In 2021, York Water constructed a 145-foot, 500,000-gallon, water tank at the Amblebrook community in Adams County.

Lake Williams Dam was originally constructed in 1913 and was one of the largest private dams in the country at the time. It has been serving the York community for over 100 years. In January of 2022, preliminary site construction activities to install an access road for construction equipment access from the end of Water Street to the downstream area of the dam was completed. Construction of this access road included timbering approximately three acres of mostly mature evergreens that were planted by York Water in the 1920's. A portion of the harvested trees were lumbered and will be reused for various Company and county park projects and some timber was donated to rebuild the Horn Farm building after a catastrophic fire. Construction of the access road was planned and completed in preparation for York Water's larger dam rehabilitation work that is slated to begin in Spring 2022. For ongoing information and updates related to the Lake Williams Dam Project through 2022 and 2023, please visit https://www.yorkwater.com/lake-williams-dam-project/.

New Growth

West Manheim Township residents became York Water customers in 2008, and in 2021, York Water acquired the wastewater collection and conveyance system. This acquisition added approximately 1,800 customers, increasing the Company's customer base by approximately 2.5%. West Manheim's wastewater is conveyed to Penn Township's treatment plant for treatment and discharge. We look forward to a growing relationship with Penn Township.

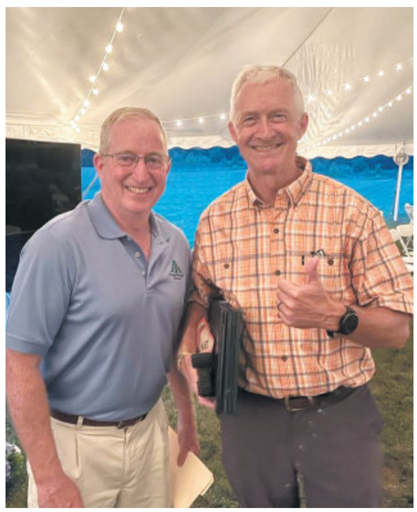
"While I joined West Manheim Township midway through this transaction, I've been impressed with York Water's advocacy for the township's residents, and in particular addressing the surcharge assessed by Penn Township on West Manheim residents. We're experiencing continued growth in the township, and we are confident that York Water will provide high-quality water and wastewater service and infrastructure responsive to our community's utility needs." **– Mike Bowersox, West Manheim Township Manager**

Great York Water People

We are incredibly proud of our team members for many reasons, one of which is their commitment to the communities that we serve. In 2021, prestigious organizations in our community recognized the outstanding talent and significant contributions that York Water personnel make every day to their profession and our communities.

Natalee Colón Gunderson

Natalee Colón Gunderson, our Vice President of Human Resources, was awarded the **Ignite Young Professional Award** by the York County Economic Alliance. This award recognizes young professionals for leadership, community service, personal, and professional achievements. Natalee is actively engaged in our community by serving on various non-profit boards and committees, including the United Way of York County, Logos Academy, Pennsylvania Council on the Arts, and York County Community Foundation's Grant Distribution Committee. Her leadership, dedication, and commitment to diversity and inclusion enlightens and improves our community.



Jeff Hines

Jeff Hines, immediate past President and CEO, was the 2021 York County Economic Alliance **Business Achievement Honoree.** This award is presented to an individual "…whose high moral and ethical values have set a standard of excellence, and someone who embodies leadership and a passion for our community and its citizens." Jeff has a longstanding reputation for professionalism, community support, integrity, and development of young professionals through long-term affiliations with local educational institutions. He continues to contribute to York Water as a member of our Board of Directors and to the York community in retirement.

Kent Croman

Kent Croman, our Engineering Manager, was awarded the **Ivan M. Glace Award** at the 2021 Water Works Association of Pennsylvania (WWOAP) conference. This award recognizes an Association member "...whose activities have contributed to improving the Association through the dissemination of knowledge of sound and progressive water works practices." The Association recognizes Kent's consistent efforts to share knowledge and contribute to his profession. Kent is a key contributor to the significant library of generational investment projects occurring at York Water. We are fortunate to have him as a driving force in our mission to supply "that good York Water" to our customers.

Highlights of Our 206th Year

(In thousands of dollars, except per share amounts)

Summary of Operations

For The Year	2021	2020	2019	2018	2017
Operating revenues	$ 55,119	$ 53,852	$ 51,578	$ 48,437	$ 48,589
Operating expenses	31,723	29,421	27,792	25,920	24,896
Operating income	23,396	24,431	23,786	22,517	23,693
Interest expense	3,705	4,177	4,758	5,280	4,484
Gain on life insurance	–	515	–	–	–
Other income (expenses), net	(1,587)	(2,153)	(2,386)	(1,370)	(1,692)
Income before income taxes	18,104	18,616	16,642	15,867	17,517
Income taxes	1,120	2,018	2,240	2,491	4,543
Net income	$ $16,984	$ 16,598	$ 14,402	$ 13,376	$ 12,974
Per Share of Common Stock					
Book value	$ 11.64	$ 10.97	$ 10.31	$ 9.75	$ 9.28
Earnings per share:					
Basic	1.30	1.27	1.11	1.04	1.01
Diluted	1.30	1.27	1.11	1.04	1.01
Weighted average number of shares outstanding during the year:					
Basic	13,076,263	13,033,681	12,964,080	12,903,568	12,849,123
Diluted	13,077,290	13,034,520	12,966,292	12,903,836	12,849,171
Cash dividends declared per share	0.7571	0.7280	0.7001	0.6731	0.6472
Utility Plant					
Original cost, net of acquisition adjustments	$ 482,113	$ 434,963	$ 398,065	$ 377,676	$ 362,533
Construction expenditures	34,409	32,123	18,425	16,882	24,602
Other					
Total assets	$ 458,853	$ 406,957	$ 363,529	$ 345,140	$ 332,030
Long-term debt including current portion	146,369	123,573	101,035	93,358	90,142

For Management's Discussion and Analysis of Financial Condition and Results of Operations, please refer to Item 7 in the Company's Annual Report on Form 10-K.

Shareholder Information

Market Information

The common stock of The York Water Company is traded on the NASDAQ Global Select Market under the symbol YORW.

Shareholders of record (excluding individual participants in securities positions listings) as of December 31, 2021 numbered approximately 1,933.

Financial Reports and Investor Relations

The Company makes available free of charge, on or through its website (www.yorkwater.com), its annual report on Form 10-K, its quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the Securities and Exchange Commission, or SEC. The SEC also maintains a website at www.sec.gov that contains reports, proxy statements, and other information about SEC registrants, including the Company.

Shareholders may request, without charge, copies of the Company's financial reports. Such requests, as well as other investor relations inquiries, should be addressed to:

Molly E. Norton
Investor Relations &
Communications Administrator

The York Water Company
130 East Market Street
York, PA 17401

(717) 718-2942
(800) 750-5561
mollyn@yorkwater.com

In 2013, we initiated a share repurchase program to add value for our shareholders. The Board of Directors authorized the Company to repurchase up to 1,200,000 shares of the Company's common stock from time to time. No shares were repurchased this year. As of December 31, 2021, 618,004 shares remain available for repurchase.

We are only including a summary of our financial results in this annual report. Please refer to our annual SEC 10-K Report, which was delivered with this report, or can be downloaded from the investor relations section of our website at www.yorkwater.com for a more detailed review of our financial performance.

Stock Exchange Listing

The Company's common shares trade on the NASDAQ Global Select Market.

The trading symbol is **YORW**.

Independent Auditors

Baker Tilly US, LLP
Suite 200
221 West Philadelphia Street
York, PA 17401

Transfer Agent & Registrar

Broadridge Corporate Issuer Solutions, Inc.
P.O. Box 1342
Brentwood, NY 11717
(844) 317-3311 (toll free)
Internet:
http://shareholder.broadridge.com/YORW

Important Annual Meeting Information

Monday, May 2, 2022
1:00 p.m.
Lunch 12:00 p.m. (reservation required)

Appell Center for the Performing Arts
50 North George Street
York, PA 17401

The Annual Meeting is currently scheduled to be held in person. Due to continued and evolving regulations regarding travel, gatherings, and other restrictions relating to COVID-19 public health concerns, the Company's directors and officers may be required to participate remotely or the Company may decide to hold the meeting in a different location or virtually. While there are not currently any additional COVID-19-related requirements at the Appell Center for the Performing Arts, that is subject to change. At this time, masks are not required, but strongly encouraged for those that are unvaccinated. Any relevant updates will be available on the meeting location's website at www.appellcenter.org//plan-your-visit/covid-policies and the Company's website at www.yorkwater.com.

Please check the websites prior to the meeting if you plan to attend. If you plan on attending the meeting, doors will open at 11:30 a.m. and a boxed lunch will be provided beginning at 12:00 p.m. Please RSVP either by checking the box on the proxy card and mailing in the enclosed envelope, or by contacting Molly Norton at (717) 718-2942
or by e-mail at mollyn@yorkwater.com.

Supplemental Information (Unaudited)

(In thousands of dollars, except per share amounts)

Year ended December 31	2021	2020	2019
Selected Financial Data			
Income			
Operating Revenues	$55,119	$53,852	$51,578
Operating Expenses	$31,723	$29,421	$27,792
Operating Income	$23,396	$24,431	$23,786
Interest Expense	$3,705	$4,177	$4,758
Net Income	$16,984	$16,598	$14,402
Percent Change in Net Income Compared to Prior Year	2.3%	15.2%	7.7%
Common Stock Dividends	$9,909	$9,490	$9,083
Dividend Payout Ratio	58.3%	57.2%	63.1%
Weighted Average Common Shares Outstanding, Basic	13,076,263	13,033,681	12,964,080
Basic & Diluted Earnings Per Weighted Average Common Share	$1.30	$1.27	$1.11
Number of Common Shares Outstanding	13,112,948	13,060,817	13,014,898
ROE on Year End Common Equity	11.1%	11.6%	10.7%
Common Stock Dividends Per Share	$0.7571	$0.7280	$0.7001
Net Cash Flows From Operating Activities	$22,959	$20,235	$18,881
Balance Sheet			
Common Stockholders' Equity	$152,622	$143,252	$134,185
Long-Term Debt Including Current Maturities	$146,369	$123,573	$101,035
Total Capitalization	$298,991	$266,825	$235,220
Percent Common Stockholders' Equity	51%	54%	57%
Percent Long-Term Debt	49%	46%	43%
Net Utility Plant	$382,909	$343,623	$313,224
Operating Data			
Revenue Class			
Residential	$35,885	$35,733	$33,409
Commercial and Industrial	$14,892	$14,068	$14,441
Other	$4,342	$4,051	$3,728
Total Operating Revenues	$55,119	$53,852	$51,578
Construction Expenditures	$34,409	$32,123	$18,425
Other Operating Data			
Number of Customers	73,144	72,681	71,411
Number of Employees	110	108	106
Common Shareholders	1,933	1,982	1,998
Book Value Per Common Share	$11.64	$10.97	$10.31
Market Value at Year End	$49.78	$46.60	$46.11
Market Value to Book Value	428%	425%	447%
P.E Ratio	38.3	36.7	41.5

Supplemental Information (Unaudited)

(In thousands of dollars, except per share amounts)

2018	2017	2016	2015	2014	2013	2012	2011
$48,437	$48,589	$47,584	$47,089	$45,900	$42,383	$41,447	$40,629
$25,920	$24,896	$23,414	$23,294	$22,593	$21,217	$20,331	$20,091
$22,517	$23,693	$24,170	$23,795	$23,307	$21,166	$21,116	$20,538
$5,280	$4,484	$5,037	$4,976	$4,996	$5,267	$5,249	$5,260
$13,376	$12,974	$11,846	$12,489	$11,484	$9,654	$9,303	$9,084
3.1%	9.5%	-5.1%	8.8%	19.0%	3.8%	2.4%	1.7%
$8,690	$8,318	$8,051	$7,743	$7,443	$7,214	$6,929	$6,708
65.0%	64.1%	68.0%	62.0%	64.8%	74.7%	74.5%	73.8%
12,903,568	12,849,123	12,845,955	12,831,687	12,879,912	12,928,040	12,847,160	12,734,420
$1.04	$1.01	$0.92	$0.97	$0.89	$0.75	$0.72	$0.71
12,943,536	12,872,742	12,852,295	12,812,377	12,830,521	12,979,281	12,918,633	12,791,671
10.6%	10.9%	10.4%	11.5%	11.0%	9.3%	9.3%	9.5%
$0.6731	$0.6472	$0.6267	$0.6040	$0.5788	$0.5580	$0.5391	$0.5266
$18,372	$20,111	$19,365	$20,710	$18,766	$18,438	$16,422	$17,474
$126,195	$119,405	$114,061	$109,070	$104,563	$103,511	$99,825	$95,265
$93,358	$90,142	$84,653	$84,562	$82,312	$82,741	$82,684	$82,621
$219,553	$209,547	$198,714	$193,632	$186,875	$186,252	$182,509	$177,886
57%	57%	57%	56%	56%	56%	55%	54%
43%	43%	43%	44%	44%	44%	45%	46%
$299,157	$288,787	$270,907	$261,420	$253,194	$244,237	$239,539	$232,277
$31,281	$31,257	$30,218	$29,761	$29,165	$26,873	$26,192	$25,750
$13,578	$13,729	$13,760	$13,822	$13,267	$12,299	$12,114	$11,820
$3,578	$3,603	$3,606	$3,506	$3,468	$3,211	$3,141	$3,059
$48,437	$48,589	$47,584	$47,089	$45,900	$42,383	$41,447	$40,629
$16,882	$24,602	$13,158	$13,844	$14,139	$9,852	$11,543	$9,472
70,263	69,604	67,052	66,087	65,102	64,118	63,779	62,738
109	102	103	107	107	104	105	106
1,999	2,011	2,052	2,007	2,002	2,023	1,786	1,658
$9.75	$9.28	$8.87	$8.51	$8.15	$7.98	$7.73	$7.45
$32.06	$33.90	$38.20	$24.94	$23.21	$20.93	$17.57	$17.64
329%	365%	431%	293%	285%	262%	227%	237%
30.8	33.6	41.5	25.7	26.1	27.9	24.4	24.8

Board of Directors

Cynthia A. Dotzel, CPA (1)
Chair
Director Since 2019

Michael W. Gang, Esq. (1)
Director Since 1996

Joseph T. Hand (1)
Director Since 2020

Jeffrey R. Hines, P.E. (1)
Director Since 2008

George W. Hodges (1) (3)
Past Chair
Director Since 2000

George Hay Kain, III (4)
Director Since 1986

Jody L. Keller, SPHR (4)
Director Since 2015

Erin C. McGlaughlin (2) (3)
Director Since 2016

Robert P. Newcomer (2) (4)
Director Since 2013

Steven R. Rasmussen, CPA (2) (3)
Director Since 2011

Ernest J. Waters (2) (3)
Director Since 2007

Directors Emeriti

Josephine S. Appell
James H. Cawley
Chloe R. Eichelberger
William T. Morris
Irvin S. Naylor
Thomas C. Norris
Jeffrey S. Osman

Key

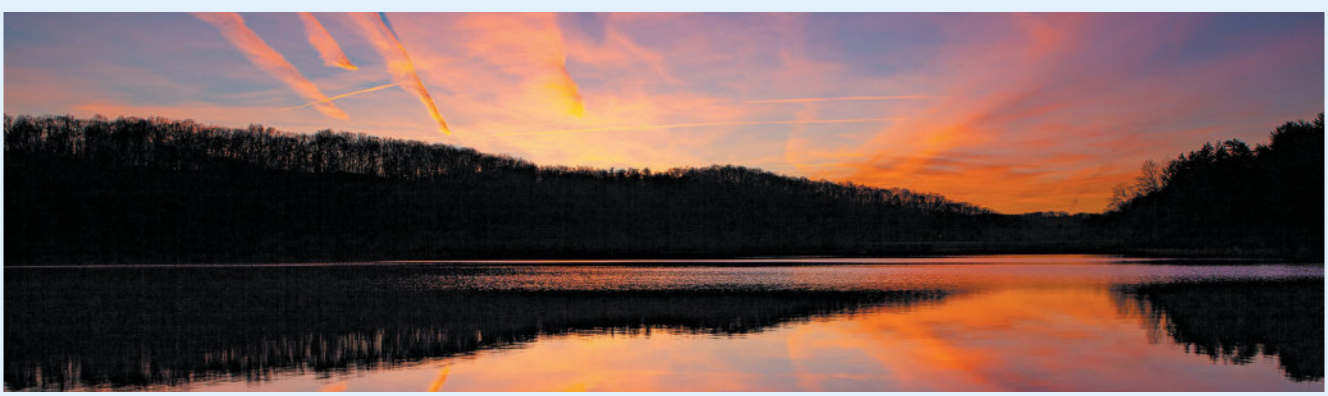
(1) Executive Committee
(2) Audit Committee
(3) Nomination and Corporate Governance Committee
(4) Compensation Committee

In Memorium

John L. Finlayson
Director
1993-2014

In August 2021, The York Water Company lost a very special friend, partner, and Director Emeritus. John L. Finlayson unselfishly dedicated many years of service to the Company, serving as a Director from 1993-2014. John worked tirelessly and with tremendous enthusiasm and skill to advance the interests of the Company, our community, and our shareholders.

We honor John L. Finlayson for a life of outstanding service and his extraordinary contributions to The York Water Company. By Resolution on August 23, 2021, our Board of Directors expressed our deep appreciation for his service and dedication.



ENVIRONMENTAL STEWARDSHIP

York Water has operated for over 200 years with keen awareness of our environment. This awareness stretches well beyond our sources of water and the waters that receive our effluent. Our Company's dedicated employees, our customers, the communities we serve, and our shareholders should all be proud of our environmental performance. Below represents some of our standard practices and 2021 project highlights that reflect foundational environmental stewardship.

SEDIMENT REMOVAL

Benefits Local and Regional Water Quality. Annually York Water removes approximately 2,730 tons of sediment from our source water entering the main filter plant. This sediment removal, although not credited by Pennsylvania, provides additional water quality improvement in the local watershed and ultimately the Chesapeake Bay.

BRILLHART PUMPING STATION RENOVATION

Reduces Power Use/GHG Emissions and Better Controls Volume of Water Removed from Source(s). This primary source water pumping station can pull and pump approximately 45 MGD of supply water to our filter plant. New pumps and new energy systems installed this year increase operational flexibility and reduce energy use. Water removed from the Codorus Creek can now be more closely tied to system demand, which preserves and enhances the aquatic system within the Creek.

PUBLIC EDUCATION

Educating the Community to Maintain and Expand a Foundation of Local Water Awareness and Stewardship. York Water hosts tours, participates in the County Envirothon, and participates in approximately 40 presentations and tours a year. These employee efforts seek to consistently message the importance of our water resources, water quality protection, and safe drinking water.

WATER RECYCLING

Reduces Use of Local Water Resources and Reduces Power Use/GHG Emissions. York Water recycles process, sample tap, filter wash, decant water, and stormwater from the impervious surfaces created when we covered our finished water basins. The water is collected and sent back to the head of the filter plant, reducing both the daily volume of water pulled from our sources, as well as pump energy use.

BIRD HABITAT MANAGEMENT

Promotes and Enhances Biodiversity in the Local Area. The York Audubon Society has recognized this unique habitat area adjacent to Lake Redman as one of the most heavily-used birding sites in York County. The vegetation, water level fluctuation, and tree variety create excellent habitat for an extensive bird population. York Water has partnered with the York County Parks Department for decades to maintain and facilitate public enjoyment of this area.

SPECIES PROTECTION

As York Water planned to lower the level of Lake Williams in preparation for the dam renovation project in 2021, the Company scheduled and planned the drawdown to protect sensitive species known to require lakeside habitat at Lake Williams. Winter activity patterns, nesting, and reproductive cycles were significant considerations to minimize impacts to the species.

Officers & Key Employees

Vernon L. Bracey
Vice President-
Customer Service

Alexandra C. Chiaruttini, Esq.
Chief Administrative Officer and General Counsel

Natalee C. Gunderson, SHRM-CP
Vice President-
Human Resources

Joseph T. Hand
President and
Chief Executive
Officer

Mark J. Hardman
Vice President-
Technology

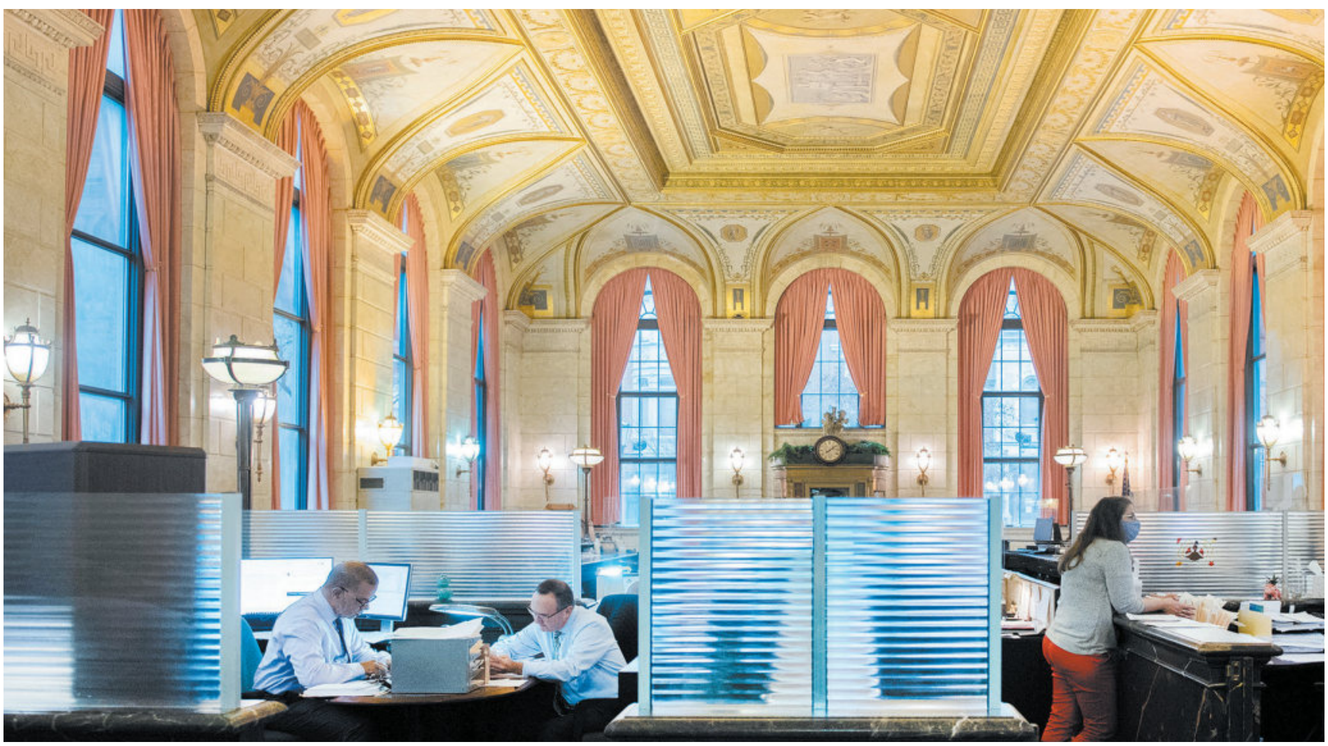
Matthew E. Poff, CPA
Chief Financial
Officer and Treasurer

Mark S. Snyder, P.E.
Vice President-
Engineering

Martin L. Strine
Operations
Manager

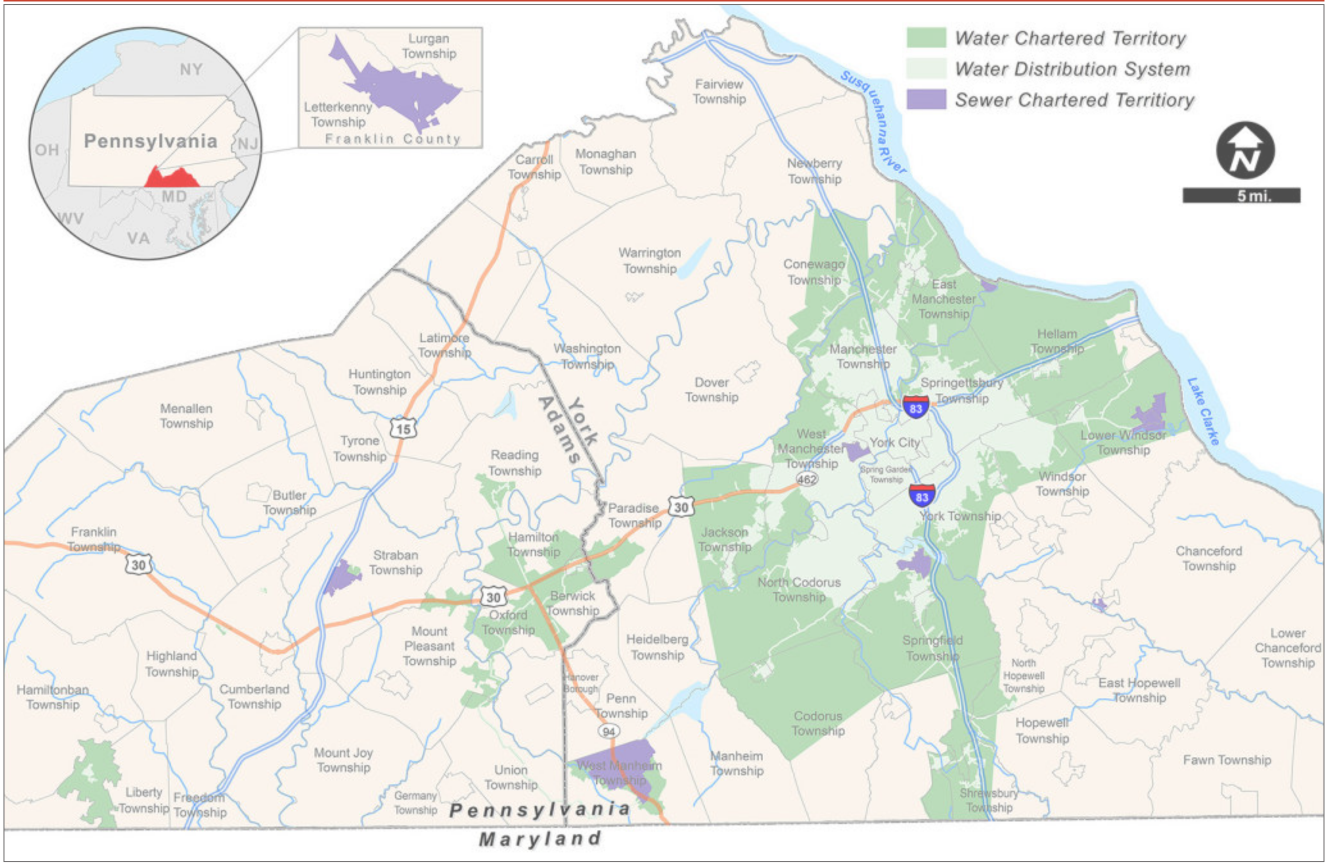
Mark A. Wheeler
Chief Operating
Officer and Secretary

Molly E. Norton
Investor Relations
and Communications
Administrator



Our Customer Service Representatives, as well as members of our Executive team, work at 130 East Market Street in Downtown York. Customers visit our office to pay their bill or to receive Customer Service support every day. Visitors have the added bonus of experiencing the beautiful water-themed ceiling in person, which never fails to take our breath away.

Water and Sewer Chartered Territory



Lake Redman (pictured above) and Lake Williams hold a combined 2.2 billion gallons of "that good York water." Our water and wastewater customers in 51 municipalities in York, Adams, and Franklin counties utilize over 20 million gallons of water per day.

The York Water Company

130 East Market Street
York, Pennsylvania 17401
717-845-3601
www.yorkwater.com

EPA WaterSense PARTNER

The York Water Company

1816 2021 YEAR 206 "That Good York Water"

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2021

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________to____________

Commission file number 001-34245

THE YORK WATER COMPANY
(Exact name of registrant as specified in its charter)

PENNSYLVANIA	23-1242500
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
130 EAST MARKET STREET, YORK, PENNSYLVANIA	17401
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (717) 845-3601

Securities registered pursuant to Section 12(b) of the Act:

COMMON STOCK, NO PAR VALUE	YORW	The NASDAQ Global Select Market
(Title of Class)	(Trading Symbol)	(Name of Each Exchange on Which Registered)

Securities registered pursuant to Section 12(g) of the Act: None
(Title of Each Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
☐ YES ☒ NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
☐ YES ☒ NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
☒ YES ☐ NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
☒ YES ☐ NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Smaller reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
☐

Indicate by check mark if the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.
☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
☐ YES ☒ NO

The aggregate market value of the Common Stock, no par value, held by nonaffiliates of the registrant on June 30, 2021 was $592,979,491.

As of March 8, 2022 there were 13,115,237 shares of Common Stock, no par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Company's 2022 Annual Meeting of Shareholders are incorporated by reference into Part I and Part III.

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual report and in documents incorporated by reference constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. Words such as "may," "should," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify forward-looking statements. These forward-looking statements include certain information relating to the Company’s business strategy and future prospects; including, but not limited to:

- the amount and timing of rate increases and other regulatory matters including the recovery of costs recorded as regulatory assets;
- expected profitability and results of operations;
- trends;
- goals, priorities and plans for, and cost of, growth and expansion;
- strategic initiatives;
- availability of water supply;
- water usage by customers; and
- the ability to pay dividends on common stock and the rate of those dividends.

The forward-looking statements in this Annual Report reflect what the Company currently anticipates will happen. What actually happens could differ materially from what it currently anticipates will happen. The Company does not intend to make a public announcement when forward-looking statements in this Annual Report are no longer accurate, whether as a result of new information, what actually happens in the future or for any other reason. Important matters that may affect what will actually happen include, but are not limited to:

- changes in weather, including drought conditions or extended periods of heavy rainfall;
- natural disasters, including pandemics such as the current outbreak of the novel strain of coronavirus known as “COVID-19” and the effectiveness of the Company’s pandemic plans;
- levels of rate relief granted;
- the level of commercial and industrial business activity within the Company's service territory;
- construction of new housing within the Company's service territory and increases in population;
- changes in government policies or regulations, including the tax code;
- the ability to obtain permits for expansion projects;
- material changes in demand from customers, including the impact of conservation efforts which may impact the demand of customers for water;
- changes in economic and business conditions, including interest rates;
- loss of customers;
- changes in, or unanticipated, capital requirements;
- the impact of acquisitions;
- changes in accounting pronouncements;
- changes in the Company’s credit rating or the market price of its common stock; and
- the ability to obtain financing.

THE YORK WATER COMPANY

PART I

Item 1. Business.

The York Water Company (the “Company”) is the oldest investor-owned water utility in the United States and is duly organized under the laws of the Commonwealth of Pennsylvania. The Company has operated continuously since 1816. The primary business of the Company is to impound, purify to meet or exceed safe drinking water standards and distribute water. The Company also owns and operates three wastewater collection systems and five wastewater collection and treatment systems. The Company operates within its franchised water and wastewater territory, which covers portions of 51 municipalities within three counties in south-central Pennsylvania. The Company is regulated by the Pennsylvania Public Utility Commission, or PPUC, for both water and wastewater in the areas of billing, payment procedures, dispute processing, terminations, service territory, debt and equity financing and rate setting. The Company must obtain PPUC approval before changing any practices associated with the aforementioned areas.

Water service is supplied through the Company's own distribution system. The Company obtains the bulk of its water supply from both the South Branch and East Branch of the Codorus Creek, which together have an average daily flow of 73.0 million gallons. This combined watershed area is approximately 117 square miles. The Company has two reservoirs, Lake Williams and Lake Redman, which together hold up to approximately 2.2 billion gallons of water. The Company supplements its reservoirs with a 15-mile pipeline from the Susquehanna River to Lake Redman which provides access to an additional supply of 12.0 million gallons of untreated water per day. The Company also owns nine wells which are capable of providing a safe yield of approximately 597,000 gallons per day to supply water to the customers of its satellite systems in Adams County. As of December 31, 2021, the Company's average daily availability was 39.6 million gallons, and average daily consumption was approximately 20.1 million gallons. The Company's service territory had an estimated population of 204,000 as of December 31, 2021. Industry within the Company's service territory is diversified, manufacturing such items as fixtures and furniture, electrical machinery, food products, paper, ordnance units, textile products, air conditioning systems, laundry detergent, barbells, and motorcycles.

The Company's water business is somewhat dependent on weather conditions, particularly the amount and timing of rainfall. Revenues are particularly vulnerable to weather conditions in the summer months. Prolonged periods of hot and dry weather generally cause increased water usage for watering lawns, washing cars, and keeping golf courses and sports fields irrigated. Conversely, prolonged periods of dry weather could lead to drought restrictions from governmental authorities. Despite the Company’s adequate water supply, customers may be required to cut back water usage under such drought restrictions which would negatively impact revenues. The Company has addressed some of this vulnerability by instituting minimum customer charges which are intended to cover fixed costs of operations under all likely weather conditions.

The Company’s business does not require large amounts of working capital and is not dependent on any single customer or a very few customers for a material portion of its business. Increases in revenues are generally dependent on the Company’s ability to obtain rate increases from the PPUC in a timely manner and in adequate amounts and to increase volumes of water sold through increased consumption and increases in the number of customers served. The Company continuously looks for water and wastewater acquisition and expansion opportunities both within and outside its current service territory as well as additional opportunities to enter into bulk water contracts with municipalities and other entities to supply water.

The Company has agreements with several municipalities to provide sewer billing and collection services. The Company also has a service line protection program on a targeted basis in order to further diversify its business. Under this optional program, customers pay a fixed monthly fee, and the Company will repair or replace damaged customer service lines, as needed, subject to an annual maximum dollar amount. The Company continues to review and consider opportunities to expand both initiatives.

Competition

As a regulated utility, the Company operates within an exclusive franchised territory that is substantially free from direct competition with other public utilities, municipalities, and other entities. Although the Company has been granted an exclusive franchise for each of its existing community water and wastewater systems, the ability of the Company to expand or acquire new service territories may be affected by currently unknown competitors obtaining franchises to surrounding systems by application or acquisition. These competitors may include other investor-owned utilities, nearby municipally-owned utilities and sometimes competition from strategic or financial purchasers seeking to enter or expand in the water and wastewater industry. The addition of new service territory and the acquisition of other utilities are generally subject to review and approval by the PPUC.

Water and Wastewater Quality and Environmental Regulations

Provisions of water and wastewater service are subject to regulation under the federal Safe Drinking Water Act, the Clean Water Act and related state laws, and under federal and state regulations issued under these laws. In addition, the Company is subject to federal and state laws and other regulations relating to solid waste disposal, dam safety and other aspects of its operations.

The federal Safe Drinking Water Act establishes criteria and procedures for the U.S. Environmental Protection Agency, or EPA, to develop national quality standards. Regulations issued under the Act, and its amendments, set standards on the amount of certain contaminants allowable in drinking water. Current requirements are not expected to have a material impact on the Company’s operations or financial condition as it already meets or exceeds standards. In the future, the Company may be required to change its method of treating drinking water and may incur additional capital investments if new regulations become effective.

Under the requirements of the Pennsylvania Safe Drinking Water Act, or SDWA, the Pennsylvania Department of Environmental Protection, or DEP, regulates the quality of the finished water supplied to customers. The DEP requires the Company to submit monthly reports showing the results of daily bacteriological and other chemical and physical analyses. As part of this requirement, the Company conducts over 70,000 laboratory tests annually. Management believes that the Company complies with the standards established by the agency under the SDWA. The DEP assists the Company by regulating discharges into the Company’s watershed area to prevent and eliminate pollution.

The federal Groundwater Rule establishes protections against microbial pathogens in community water supplies. This rule requires additional testing of water from well sources, and under certain circumstances requires demonstration and maintenance of effective disinfection. The Company holds public water supply permits issued by the DEP, which establishes the groundwater source operating conditions for its wells, including demonstrated 4-log treatment of viruses. All of the satellite systems operated by the Company are in compliance with the federal Groundwater Rule.

The Clean Water Act regulates discharges from water and wastewater treatment facilities into lakes, rivers, streams, and groundwater. The Company complies with this Act by obtaining and maintaining all required permits and approvals for discharges from its water and wastewater facilities and by satisfying all conditions and regulatory requirements associated with the permits.

The DEP monitors the quality of wastewater discharge effluent under the provisions of the National Pollutant Discharge Elimination System, or NPDES. The Company submits monthly reports to the DEP showing the results of its daily effluent monitoring and removal of sludge and biosolids. The Company is not aware of any significant environmental remediation costs necessary from the handling and disposal of waste material from its wastewater operations.

Lead and copper may enter drinking water primarily through plumbing materials. The Company is required to comply with the Lead and Copper Rule established by the EPA and administered by the DEP. The Company must monitor drinking water at customer taps for compliance with this rule. If lead concentrations exceed an action level, the Company must undertake a number of additional actions to control corrosion, inform the public about steps they should take to protect their health and may be required to replace lead service lines under its control. See "Management's Discussion and Analysis – Environmental Matters" for a discussion of the Company's compliance with the Lead and Copper rule.

The DEP and the Susquehanna River Basin Commission, or SRBC, regulate the amount of water withdrawn from streams in the watershed to assure that sufficient quantities are available to meet the needs of the Company and other regulated users. Through its Division of Dam Safety, the DEP regulates the operation and maintenance of the Company's impounding dams. The Company routinely inspects its dams and prepares annual reports of their condition as required by DEP regulations. The DEP reviews these reports and inspects the Company's dams. The DEP most recently inspected the Company's dams in 2021.

Since 1980, the DEP has required any new dam to have a spillway that is capable of passing the design flood without overtopping the dam. The design flood is either the Probable Maximum Flood, or PMF, or some fraction of it, depending on the size and location of the dam. PMF is very conservative and is calculated using the most severe combination of meteorological and hydrologic conditions reasonably possible in the watershed area of a dam.

The Company engaged a professional engineer to analyze the spillway capacities at the Lake Williams and Lake Redman dams and validate the DEP's recommended flood design for the dams. Management presented the results of the study to the DEP in December 2004, and DEP then requested that the Company submit a proposed schedule for the actions to address the spillway capacities. Thereafter, the Company retained an engineering firm to prepare preliminary designs for increasing the spillway capacities to pass the PMF through armoring the dams with roller compacted concrete. Management has met with the DEP on a regular basis to review the preliminary design and discuss scheduling, permitting, and construction requirements. Recently, the DEP expressed concern regarding the stability of the Lake Williams spillway in light of current design standards. The Company is currently completing the final design and the permitting process to armor and replace the spillway of the Lake Williams dam. The Company finalized its plans in 2021 and will begin construction in 2022 at a total cost of approximately $32 million. The Lake Redman dam will be reviewed following the completion of the work on the Lake Williams dam.

Capital expenditures and operating costs required as a result of water quality standards and environmental requirements have been traditionally recognized by state public utility commissions as appropriate for inclusion in establishing rates. The capital expenditures currently required as a result of water quality standards and environmental requirements have been budgeted in the Company's capital program and represent less than 15% of its expected total capital expenditures over the next five years. The Company is currently in compliance with wastewater environmental standards and does not anticipate any major capital expenditures for its current wastewater business.

Growth

(All dollar amounts are stated in thousands of dollars)

The Company continues to grow its number of customers and distribution facilities.

The growth in the number of customers of the Company is due primarily to the acquisition of water and wastewater systems and organic growth. During the year ended December 31, 2021, the Company increased its number of customers from 72,681 to 73,144. See "Management's Discussion and Analysis – Acquisitions and Growth" for a discussion of the Company's recent acquisitions.

The Company continues to grow its water distribution and wastewater collection systems to provide reliable service to its expanding franchised service territory and the increasing population within that territory. During the year ended December 31, 2021, the Company installed an additional 62,375 feet of water distribution mains and acquired an additional 171,587 feet of wastewater collection mains resulting in 999 miles of water mains and 73 miles of wastewater mains as of December 31, 2021.

The Company's growth in revenues is primarily a result of customer growth and increases in water and wastewater rates. During the year ended December 31, 2021, the Company recognized revenue of $55,119, an increase of $1,267, or 2.4%, as compared to $53,852 during the year ended December 31, 2020. In 2021, operating revenue was derived from the following sources and in the following percentages: residential, 65%; commercial and industrial, 27%; and other, 8%, which is primarily from the provision for fire service but includes other water and wastewater service-related income. See "Management's Discussion and Analysis – Rate Matters" for a discussion of the Company's rate case management.

Information about Our Executive Officers

The Company presently has 110 employees, all of which are full time employees including the officers detailed in the information set forth under the caption "Executive Officers of the Company" of the 2022 Proxy Statement incorporated herein by reference.

Available Information

The Company makes available free of charge, on or through its website (www.yorkwater.com), its annual report on Form 10-K, its quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC. The SEC also maintains a website at www.sec.gov that contains reports, proxy statements, and other information about SEC registrants, including the Company.

Shareholders may request, without charge, copies of the Company's financial reports. Such requests, as well as other investor relations inquiries, should be addressed to:

Molly E. Norton	The York Water Company	(717) 718-2942
Investor Relations &	130 East Market Street	(800) 750-5561
Communications Administrator	York, PA 17401	mollyn@yorkwater.com

Item 1A. Risk Factors.

Not applicable.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Source of Water Supply

The Company owns two impounding dams located in York and Springfield Townships adjoining the Borough of Jacobus to the south. The lower dam, the Lake Williams Impounding Dam, creates a reservoir covering approximately 165 acres containing about 870 million gallons of water. The upper dam, the Lake Redman Impounding Dam, creates a reservoir covering approximately 290 acres containing about 1.3 billion gallons of water.

In addition to the two impounding dams, the Company owns a 15-mile pipeline from the Susquehanna River to Lake Redman that provides access to a supply of an additional 12.0 million gallons per day, or MGD.

The Company also owns four satellite water systems in Adams County, Pennsylvania. The systems consist of nine groundwater wells capable of providing a combined safe yield of approximately 597,000 gallons per day.

As of December 31, 2021, the Company's present average daily availability was 39.6 million gallons, and daily consumption was approximately 20.1 million gallons.

Pumping Stations

The Company's main pumping station is located in Spring Garden Township on the south branch of the Codorus Creek about four miles downstream from the Company's lower impounding dam. The pumping station houses pumping equipment with a combined permitted capacity of 42.0 MGD. A large diesel backup generator is installed to provide power to the pumps in the event of an emergency. The untreated water is pumped approximately two miles to the filtration plant through pipes owned by the Company.

The Susquehanna River Pumping Station is located on the western shore of the Susquehanna River several miles south of Wrightsville, PA. The pumping station houses pumping equipment with a combined permitted capacity of 12.0 MGD. The pumping station pumps water from the Susquehanna River approximately 15 miles through a combination of 30 inch and 36 inch ductile iron main to the Company’s upper impounding dam, located at Lake Redman.

The Lake Redman Pumping Station is located in York Township adjacent to Lake Redman. The pumping station is designed to provide a redundant source with permitted capacity to pump 20.0 MGD of untreated water through a company-owned 36 inch force main approximately 3.5 miles to the filtration plant, meeting the Company’s daily consumption needs.

Treatment Facilities

The Company's water filtration plant is located in Spring Garden Township about one-half mile south of the City of York. Water at this plant is filtered through twelve dual media filters having a rated capacity of 39.0 MGD, with a maximum supply of 42.0 MGD for short periods if necessary. Based on an average daily consumption in 2021 of approximately 20.1 million gallons, the Company believes the pumping and filtering facilities are adequate to meet present and anticipated demands.

The Company’s sediment recycling facility is located adjacent to its water filtration plant. This state of the art facility employs cutting edge technology to remove fine, suspended solids from untreated water. The Company estimates that through this energy-efficient, environmentally friendly process, approximately 600 tons of sediment will be removed annually, thereby improving the quality of the Codorus Creek watershed.

The Company has five wastewater treatment facilities located in three counties within south-central Pennsylvania. The wastewater treatment plants are small, packaged, extended aeration activated sludge facilities with a combined permitted flow capacity of 322,000 gallons. With a projected maximum daily demand of 123,000 gallons, the plants' flow paths offer both capacity and operational redundancy for maintenance, high flow events, and potential growth.

Distribution and Collection

The distribution system of the Company has approximately 999 miles of water main lines which range in diameter from 2 inches to 36 inches. The distribution system includes 33 booster stations and 35 standpipes and reservoirs capable of storing approximately 58.9 million gallons of potable water. All booster stations are equipped with at least two pumps for protection in case of mechanical failure. Following a deliberate study of customer demand and pumping capacity, the Company installed standby generators at all critical booster stations to provide an alternate energy source or emergency power in the event of an electric utility interruption.

The eight wastewater collection systems of the Company have a combined approximate 346,000 feet of gravity collection mains and 38,000 feet of pressure force mains along with 13 redundant sewage pumping stations.

Other Properties

The Company's distribution center and material and supplies warehouse are located in Springettsbury Township and are composed of three one-story concrete block buildings aggregating 30,680 square feet.

The administrative and executive offices of the Company are located in one three-story and one two-story brick and masonry buildings, containing a total of approximately 21,861 square feet, in the City of York, Pennsylvania.

All of the Company's properties described above are held in fee by the Company. There are no material encumbrances on such properties.

In 1976, the Company entered into a Joint Use and Park Management Agreement with York County under which the Company licensed use of certain of its lands and waters for public park purposes for a period of 50 years. Under the agreement, York County has agreed not to erect a dam upstream on the East Branch of the Codorus Creek or otherwise obstruct the flow of the creek.

Item 3. Legal Proceedings.

There are no material legal proceedings involving the Company.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

The common stock of The York Water Company is traded on the NASDAQ Global Select Market under the symbol YORW.

Shareholders of record (excluding individual participants in securities positions listings) as of December 31, 2021 numbered approximately 1,933.

Securities Authorized for Issuance under Equity Compensation Plans

The information required by this item with respect to securities authorized for issuance under equity compensation plans is set forth in Part III, Item 12 of this Annual Report.

Purchases of Equity Securities by the Company

The Company did not repurchase any of its securities during the fourth quarter of 2021.

Item 6. Selected Financial Data.

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(All dollar amounts are stated in thousands of dollars.)

Overview

The York Water Company (the "Company") is the oldest investor-owned water utility in the United States, operated continuously since 1816. The Company also owns and operates three wastewater collection systems and five wastewater collection and treatment systems. The Company is a purely regulated water and wastewater utility. Profitability is largely dependent on water revenues. Due to the size of the Company and the limited geographic diversity of its service territory, weather conditions, particularly rainfall, economic, and market conditions can have an adverse effect on revenues. The Company experienced increased revenues in 2021 compared to 2020 primarily due to an increase in the number of customers and revenues from the distribution system improvement charge, or DSIC.

The Company's business does not require large amounts of working capital and is not dependent on any single customer or a very few customers for a material portion of its business. In 2021, operating revenue was derived from the following sources and in the following percentages: residential, 65%; commercial and industrial, 27%; and other, 8%, which is primarily from the provision for fire service, but includes other water and wastewater service-related income. The diverse customer mix helps to reduce volatility in consumption.

The Company seeks to grow revenues by increasing the volume of water sold through increases in the number of customers served, making timely and prudent investments in infrastructure replacements, expansion and improvements, and timely filing for rate increases. The Company continuously looks for acquisition and expansion opportunities both within and outside its current service territory as well as through contractual services and bulk water supply. The Company's wastewater business provides additional opportunities to expand.

The Company has entered into agreements with municipalities to provide sewer billing and collection services. The Company also has a service line protection program on a targeted basis. The Company continues to review and consider opportunities to expand both initiatives to further diversify the business.

In addition to increasing revenue, the Company consistently focuses on minimizing costs without sacrificing water quality or customer service. Paperless billing, expanding online services, negotiation of favorable electric, banking, and other costs, as well as taking advantage of the Tax Cuts and Jobs Act of 2017, or the 2017 Tax Act, and the Internal Revenue Service, or IRS, tangible property regulations, or TPR, are examples of the Company's recent efforts to minimize costs.

Impact of COVID-19

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") was reported and was later characterized by the World Health Organization as a pandemic. On March 6, 2020, Governor Tom Wolf signed an emergency disaster declaration for the Commonwealth of Pennsylvania which was extended for an additional ninety days five times, most recently on May 19, 2021. This emergency declaration was ended on June 16, 2021, by joint resolution of the Pennsylvania legislature. However, developments in this area continue at the local, state, and national levels and the Company continues to stay abreast of these developments. The Company has taken steps, consistent with directions from local, state, and federal authorities, to mitigate known risks with the health and safety of its employees and customers as its first priority.

The Company is an essential, life-sustaining business and has continued normal operations. The Company continues to monitor guidance from state and local authorities and, although most restrictions have been lifted, has made some modifications to its operations in order to comply with Pennsylvania's guidelines. This includes implementing enhanced safety procedures in its lobby and other measures such as holding virtual meetings and maintaining social distancing practices, when appropriate. These restrictions are not expected to materially impede the Company's ability to complete its planned capital expenditures or acquisitions. The Company has not experienced any material supply chain disruptions. The Company has been informed of longer lead times for some items, although this has not impacted daily operating supplies. The Company maintains an adequate inventory of critical repair parts which are available as needed. The Company continues to maintain relationships with its vendors to identify issues in a timely manner while also seeking out additional vendor relationships to diversify its supply chain. The Company has addressed the longer lead times by placing orders proactively with its vendors to align with current lead times. If the delays increase materially or if certain materials and supplies become unavailable, the Company may re-prioritize some of its capital projects or experience higher operating expenses or capital costs. The Company believes it has sufficient liquidity and access to the capital markets if needed.

As a water and wastewater utility, it is the Company's mission to provide uninterrupted water and wastewater service. Due to the effect of COVID-19 on the general public, in compliance with an order from the PPUC, the Company paused shut-off procedures for delinquent customers on March 13, 2020. In addition, the Company stopped billing late payment charges. These customers were billed at normal tariff rates for the water they used, and wastewater service provided. As allowed by the PPUC, the Company resumed normal shut-off procedures and began billing late payment charges for most customers in January 2021. Most remaining PPUC required customer protections specific to the COVID-19 pandemic fully expired on April 1, 2021 with the exception of the requirement to offer extended term payment agreements to certain "protected customers" as defined by PPUC order, which expired on September 30, 2021. Certain customers are eligible to receive utility assistance made available through federal relief funds through organizations not related to the Company.

The Company has begun to see demand by customer class revert back to close to pre-pandemic levels. However, the Company may continue to experience changes in demand as the response to this pandemic continues. The duration and magnitude of these changes is currently unknown and difficult to predict.

To date, there has been no material impact on the Company's workforce, operations, financial performance, liquidity, or supply chain as a result of COVID-19. However, the ultimate duration and severity of the pandemic or its effects on the economy, the capital and credit markets, or the Company's workforce, customers, and suppliers, as well as governmental and regulatory responses, are uncertain.

Performance Measures

Company management uses financial measures including operating revenues, net income, earnings per share and return on equity to evaluate its financial performance. Additional statistical measures including number of customers, customer complaint rate, annual customer rates and the efficiency ratio are used to evaluate performance quality. These measures are calculated on a regular basis and compared with historical information, budget and the other publicly-traded water and wastewater companies.

The Company's performance in 2021 was strong under the above measures. Operating revenues increased in 2021 compared to 2020 primarily due to an increase in the number of customers and revenues from the DSIC. The increase in operating expenses was higher than the increase in operating revenues, but other net expenses decreased primarily due to increased allowance for funds used during construction which offset a prior year non-recurring gain on life insurance, and the Company incurred lower income taxes primarily due to a higher deduction for the tax benefit under the IRS TPR. The overall effect was an increase in net income in 2021 over 2020 of 2.3% and a return on year end common equity of 11.1%, comparable with the 2020 result of 11.6% and the five-year historical average of 10.8%.

The efficiency ratio, which is calculated as net income divided by revenues, is used by management to evaluate its ability to control expenses. Over the five previous years, the Company's ratio averaged 27.6%. In 2021, the ratio was higher than the average at 30.8% due primarily to lower income taxes than are included in the historical average. Management is confident that its ratio will compare favorably to that of its peers. Management continues to look for ways to decrease expenses and increase efficiency as well as to file for rate increases promptly when needed.

2021 Compared with 2020

Net income for 2021 was $16,984, an increase of $386, or 2.3%, from net income of $16,598 for 2020. The primary contributing factors to the increase were higher operating revenues and lower income taxes, which were partially offset by higher expenses and a prior year gain on life insurance, not repeated this year.

Operating revenues for 2021 increased $1,267, or 2.4%, from $53,852 for 2020 to $55,119 for 2021. The increase was primarily due to growth in the customer base and revenues from the DSIC of $627. The average number of water customers served in 2021 increased as compared to 2020 by 703 customers, from 68,919 to 69,622 customers. The average number of wastewater customers served in 2021 increased as compared to 2020 by 246 customers, from 3,079 to 3,325 customers, due to acquisitions during 2020. Total per capita consumption for 2021 was approximately 1.2% higher than the same period of last year, but residential demand decreased. Additional billing and revenue collection services also added to revenues. In 2022, the Company expects revenues to show a modest increase due to the revenues from the DSIC. An increase in the number of water and wastewater customers from acquisitions and growth within the Company's service territory are also expected to add to revenues. The duration and severity of the COVID-19 pandemic including any resulting economic slowdown or changes in consumption patterns could impact results. Other regulatory actions and weather patterns could also impact results.

Operating expenses for 2021 increased $2,302, or 7.8%, from $29,421 for 2020 to $31,723 for 2021. The increase was primarily due to higher expenses of approximately $682 for depreciation, $543 for insurance, $526 for wastewater treatment, $402 for wages, and $241 for water treatment and distribution system maintenance. Other expenses increased by a net of $265. The increased expenses were partially offset by $236 for a lower provision for uncollectible accounts and reduced expenses of $121 for purchased power. In 2022, the Company expects depreciation expense to continue to rise due to additional investment in utility plant, and other expenses to increase at a moderate rate as costs to treat water and wastewater, and to maintain and extend the distribution system, continue to rise.

Interest on debt for 2021 increased $219 or 4.7%, from $4,707 for 2020 to $4,926 for 2021. The increase was primarily due to an increase in long-term debt outstanding. The average debt outstanding under the lines of credit was $11,487 for 2021 and $7,467 for 2020. The weighted average interest rate on the lines of credit was 1.30% for 2021 and 1.59% for 2020. Interest expense for 2022 is expected to be slightly higher due to continued borrowings under the line of credit and expected increases in short term interest rates. A potential equity offering to pay down the line of credit borrowings may offset the expected increase.

Allowance for funds used during construction increased $691, from $530 in 2020 to $1,221 in 2021 due to a higher volume of eligible construction. Allowance for funds used during construction in 2022 is expected to increase based on a projected increase in the amount of eligible construction.

A non-recurring gain on life insurance of $515 was recorded in 2020 as a result of a death benefit from a life insurance policy. No similar gains are anticipated at this time.

Other income (expenses), net for 2021 reflects decreased expenses of $418 as compared to 2020. Lower retirement expenses of approximately $382 and higher earnings on life insurance policies of approximately $72 were the primary reasons for the decrease. Other expenses increased by a net of $36. In 2022, other income (expenses) will be largely determined by the change in market returns and discount rates for retirement programs and related assets.

Income taxes for 2021 decreased $898, or 44.5%, compared to 2020 primarily due to higher deductions from the IRS TPR. The Company's effective tax rate was 6.2% for 2021 and 10.8% for 2020. The Company's effective tax rate for 2022 will largely be determined by the level of eligible asset improvements expensed for tax purposes under TPR.

Rate Matters

See Note 10 to the Company's financial statements included herein for a discussion of its rate matters.

Effective January 1, 2022, the Company's tariff included a distribution system improvement charge on revenues of 3.19%.

The Company expects to file a rate increase request in 2022.

Acquisitions and Growth

See Note 2 to the Company's financial statements included herein for a discussion of completed acquisitions included in financial results.

On July 30, 2021, the Company signed an agreement to purchase the water assets of Scott Water Company in Greene Township, Franklin County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the third quarter of 2022 at which time the Company will add approximately 25 water customers.

On April 22, 2021, the Company signed an agreement to purchase the water assets and wastewater collection and treatment assets jointly owned by Letterkenny Industrial Development Authority and Franklin County General Authority in Letterkenny and Greene Townships, Franklin County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the second quarter of 2022 at which time the Company will add approximately 90 water and wastewater customers.

On May 27, 2020, the Company signed an agreement to purchase the water assets and wastewater collection and treatment assets of Country View Manor Community, LLC in Washington Township, York County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the second quarter of 2022 at which time the Company will add approximately 50 water and wastewater customers.

On October 8, 2013, the Company signed an agreement to purchase the wastewater collection and treatment assets of SYC WWTP, L.P. in Shrewsbury and Springfield Townships, York County, Pennsylvania. On July 1, 2020, the Company signed an agreement to purchase the Albright Trailer Park water assets and wastewater collection assets of R.T. Barclay, Inc. in Springfield Township, York County, Pennsylvania. Completion of the acquisitions is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the second quarter of 2022, at which time the Company will add approximately 90 combined wastewater customers and approximately 60 water customers through an interconnection with its current water distribution system. The wastewater customers of the Albright Trailer Park are currently served by SYC WWTP, L.P. and the water customers are currently served by the Company, each through a single customer connection to the park.

In total, these acquisitions are expected to be immaterial to Company results. The Company is also pursuing other bulk water contracts and acquisitions in and around its service territory to help offset any potential declines in per capita water consumption and to grow its business.

On May 10, 2017, the Company signed an emergency interconnect agreement with Dallastown-Yoe Water Authority. The effectiveness of this agreement is contingent upon receiving approval from all required regulatory authorities. Approval is expected to be granted in 2022 at which time the Company will begin construction of a water main extension to a single point of interconnection and either supply a minimum agreed upon amount of water to the authority, receive a payment in lieu of water, or provide water during an emergency, at current tariff rates.

Capital Expenditures

During 2021, the Company invested $34,409 in construction expenditures for routine items, an upgrade to the enterprise software system, and an elevated water tank, as well as various replacements and improvements to infrastructure. In addition, the Company invested $11,991 in the acquisition of one wastewater system. The Company replaced approximately 61,000 feet of main in 2021. The Company was able to fund construction expenditures using internally-generated funds, line of credit borrowings, proceeds from its stock purchase plans, and customer advances and contributions from developers, municipalities, customers, or builders. See Notes 1, 4 and 5 to the Company's financial statements included herein.

The Company anticipates construction and acquisition expenditures for 2022 and 2023 of approximately $44,000 and $50,000, respectively, exclusive of any acquisitions not yet approved. In addition to routine transmission and distribution projects, a portion of the anticipated 2022 and 2023 expenditures will be for additional main extensions, dam improvements, an elevated water tank, water treatment plant construction, and various replacements of infrastructure. The Company intends to use primarily internally-generated funds for its anticipated 2022 and 2023 construction and fund the remainder through line of credit borrowings, debt and equity offerings, proceeds from its stock purchase plans and customer advances and contributions (see Note 1 to the Company's financial statements included herein). Customer advances and contributions are expected to account for between 5% and 10% of funding requirements in 2022 and 2023. The Company believes it will have adequate credit facilities and access to the capital markets, if necessary, during 2022 and 2023, to fund anticipated construction and acquisition expenditures.

Liquidity and Capital Resources

Cash
The Company manages its cash through a cash management account that is directly connected to its line of credit. Excess cash generated automatically pays down outstanding borrowings under the line of credit arrangement. If there are no outstanding borrowings, the cash is used as an earnings credit to reduce banking fees. Likewise, if additional funds are needed beyond what is generated internally for payroll, to pay suppliers, to fund capital expenditures, or to pay debt service, funds are automatically borrowed under the line of credit. As of December 31, 2021, the Company borrowed $29,320 under its line of credit and incurred a cash overdraft on its cash management account of $1,746, which was recorded in accounts payable. The cash management facility connected to the line of credit is expected to provide the necessary liquidity and funding for the Company's operations, capital expenditures, and acquisitions.

Restricted Cash
At December 31, 2020, the Company held $5,000 in restricted cash which was the bid deposit for a potential acquisition which became unrestricted in the first quarter of 2021.

Accounts Receivable
The accounts receivable balance tends to follow the change in revenues but is also affected by the timeliness of payments by customers and the level of the reserve for doubtful accounts. In 2021, a strengthening in the timeliness of payments resulted in a decrease in accounts receivable – customers. A reserve is maintained at a level considered adequate to provide for losses that can be reasonably anticipated based on inactive accounts with outstanding balances. Management periodically evaluates the adequacy of the reserve based on past experience, agings of the receivables, adverse situations that may affect a customer's ability to pay, current economic conditions, and other relevant factors. During 2021, management's assessment included consideration of the COVID-19 pandemic along with past trends during times of economic instability and regulations from the PPUC regarding customer collections, including the aging of balances in payment agreements, and determined an increase in its allowance for doubtful accounts was warranted. If the status of these factors deteriorates, the Company may incur additional expenses for uncollectible accounts and experience a reduction in its internally-generated funds.

Internally-generated Funds
The amount of internally-generated funds available for operations and construction depends on the Company's ability to obtain timely and adequate rate relief, changes in regulations, customers' water usage, weather conditions, customer growth and controlled expenses. In 2021, the Company generated $22,959 internally as compared to $20,235 in 2020. The increase from 2020 was primarily due to higher net income and lower income taxes paid.

Credit Lines
Historically, the Company has borrowed under its lines of credit before refinancing with long-term debt or equity capital. As of December 31, 2021, the Company maintained an unsecured line of credit in the amount of $50,000 at an interest rate of LIBOR plus 1.05% with an unused commitment fee and an interest rate floor which matures September 2023. The Company had $29,320 in outstanding borrowings under its line of credit as of December 31, 2021. The interest rate on line of credit borrowings as of December 31, 2021 was 1.30%. The Company expects to renew this line of credit as it matures under similar terms and conditions.

The Company has taken steps to manage the risk of reduced credit availability. It has established a committed line of credit with a 2-year revolving maturity that cannot be called on demand. There is no guarantee that the Company will be able to obtain sufficient lines of credit with favorable terms in the future. If the Company is unable to obtain sufficient lines of credit or to refinance its line of credit borrowings with long-term debt or equity, when necessary, it may have to eliminate or postpone capital expenditures. Management believes the Company will have adequate capacity under its current line of credit to meet financing needs throughout 2022.

Long-term Debt
The Company's loan agreements contain various covenants and restrictions. Management believes it is currently in compliance with all of these restrictions. See Note 6 to the Company's financial statements included herein for additional information regarding these restrictions.

The Company's total long-term debt as a percentage of the total capitalization, defined as total common stockholders' equity plus total long-term debt, was 49.4% as of December 31, 2021, compared with 46.9% as of December 31, 2020. Based on the debt percentage approaching fifty percent, the Company is considering issuing additional equity in 2022. A debt to total capitalization ratio between forty-six and fifty percent has historically been acceptable to the PPUC in rate filings. See Note 6 to the Company's financial statements included herein for the details of its long-term debt outstanding as of December 31, 2021.

The variable rate line of credit and the interest rate swap of the Company use the London Interbank Offering Rate ("LIBOR") as a benchmark for establishing the rates. The United Kingdom's Financial Conduct Authority (UK FCA), which regulates LIBOR, has previously announced that it intends to stop encouraging or compelling banks to submit rates for the calculation of LIBOR rates after 2021. On January 4, 2022, the UK FCA announced that certain dollar-denominated LIBOR settings, including the 1-month setting used by the Company's variable line of credit and interest rate swap, would be calculated through June 30, 2023. This indicates that the continuation of LIBOR on the current basis is not guaranteed after that date and, based on the foregoing, it appears likely that LIBOR will be discontinued or modified. The Company's line of credit agreement explicitly states that another index may be used if LIBOR is discontinued or otherwise unavailable. The Company believes that it is implicit in its other agreements that a successor rate to LIBOR may be used. The Company is not yet aware what successor rate will be used and therefore cannot estimate the impact to the Company's financial position, results of operations and cash flows, but it could include an increase in the cost of the variable rate indebtedness.

Income Taxes, Deferred Income Taxes and Uncertain Tax Positions
The 2017 Tax Act, among other things, reduces the federal statutory corporate tax rate for tax years beginning in 2018 from 34% to 21%, treats customers' advances for construction and contributions in aid of construction as taxable income, eliminates certain deductions, and eliminates bonus depreciation on qualified water and wastewater property. In November 2021, the Infrastructure Investment and Jobs Act of 2021, or 2021 Infrastructure Act, repealed the tax treatment of customers' advances for construction and contributions in aid of construction made after December 31, 2020.

The Company filed for a change in accounting method under the IRS TPR effective in 2014. Under the change in accounting method, the Company is permitted to deduct the costs of certain asset improvements that were previously being capitalized and depreciated for tax purposes as an expense on its income tax return. As a result of the ongoing deduction, the net income tax benefits of $2,361 and $1,720 for the years ended December 31, 2021 and 2020, respectively, reduced income tax expense and flowed through to net income. The ongoing deduction results in a reduction in the effective income tax rate, a net reduction in income tax expense, and a reduction in the amount of income taxes currently payable. It also results in increases to deferred tax liabilities and regulatory assets representing the appropriate book and tax basis difference on capital additions. The Company expects to continue to expense these asset improvements in the future. The Company was permitted to make this deduction for prior years. As a result of the catch-up deduction, income tax benefits of $3,887 were deferred as a regulatory liability. After receiving approval from the PPUC in its most recent rate order, the Company began to recognize the catch-up deduction, recorded as a regulatory liability, over 15 years beginning March 1, 2019. As a result, the Company recognized $259 in income taxes during each of the years ended December 31, 2021 and 2020, respectively.

The Company's effective tax rate will largely be determined by the level of eligible asset improvements expensed for tax purposes that would have been capitalized for tax purposes prior to the implementation of the TPR.

The Company has a substantial deferred income tax asset primarily due to the excess accumulated deferred income taxes on accelerated depreciation from the 2017 Tax Act and the differences between the book and tax balances of the customers' advances for construction and contributions in aid of construction and deferred compensation plans. The Company does not believe a valuation allowance is required due to the expected generation of future taxable income during the periods in which those temporary differences become deductible.

The Company has seen an increase in its deferred income tax liability amounts primarily as a result of the accelerated depreciation deduction available for federal tax purposes which creates differences between book and tax depreciation expense. The Company expects this trend to continue as it makes significant investments in capital expenditures subject to accelerated depreciation or TPR.

The Company has determined there are no uncertain tax positions that require recognition as of December 31, 2021. See Note 14 to the Company's financial statements included herein for additional details regarding income taxes.

Common Stock
Common stockholders' equity as a percent of the total capitalization was 50.6% as of December 31, 2021, compared with 53.1% as of December 31, 2020. The ratio decreased in 2021 due to higher debt primarily from a wastewater system acquisition and increased capital expenditures. It is the Company's intent to target a ratio between fifty and fifty-four percent. Based on the percentage approaching fifty percent, the Company is considering issuing additional equity in 2022.

The Company has an effective "shelf" Registration Statement on Form S-3 on file with the Securities and Exchange Commission, pursuant to which the Company may offer an aggregate remaining amount of up to $50,000 of its common stock or debt securities subject to market conditions at the time of any such offering.

Credit Rating
On October 8, 2021, Standard & Poor's affirmed the Company's credit rating at A-, with a stable outlook and adequate liquidity. The Company's ability to maintain its credit rating depends, among other things, on adequate and timely rate relief, which it has been successful in obtaining, its ability to fund capital expenditures in a balanced manner using both debt and equity and its ability to generate cash flow. In 2022, the Company's objectives are to continue to maximize its funds provided by operations and maintain a strong capital structure in order to be able to attract capital.

Physical and Cyber Security

The Company maintains security measures at its facilities, and collaborates with federal, state, and local authorities, and industry trade associations regarding information on possible threats and security measures for water and wastewater utility operations. The costs incurred are expected to be recoverable in water and wastewater rates and are not expected to have a material impact on its business, financial condition, or results of operations.

The Company relies on information technology systems in connection with the operation of the business, especially with respect to customer service, billing, accounting, and in some cases, the monitoring and operation of treatment, storage, and pumping facilities. In addition, the Company relies on these systems to track utility assets and to manage maintenance and construction projects, materials and supplies, and human resource functions. The information technology systems may be vulnerable to damage or interruption from cyber security attacks or other cyber-related events, including, but not limited to, power loss, computer systems failures, internet, telecommunications or data network failures, physical and electronic loss of data, computer viruses, intentional security breaches, hacking, denial of service actions, misappropriation of data, and similar events. In some cases, administration of certain functions may be outsourced to third-party service providers that could also be targets of cyber security attacks. A loss of these systems, or major problems with the operation of these systems, could harm the business, financial condition, and results of operations of the Company through the loss or compromise of customer, financial, employee, or operational data, disruption of billing, collections or normal field service activities, disruption of electronic monitoring and control of operational systems, and delays in financial reporting and other normal management functions.

Possible impacts associated with a cyber security attack or other events may include remediation costs related to lost, stolen, or compromised data, repairs to data processing systems, increased cyber security protection costs, adverse effects on our compliance with regulatory and environmental laws and regulation, including standards for drinking water, litigation, and reputational damage.

The Company has implemented processes, procedures, and controls to prevent or limit the effect of these possible events and maintains insurance to help defray costs associated with cyber security attacks. The Company has not experienced a material impact on business or operations from these attacks. Although the Company does not believe its systems are at a materially greater risk of cyber security attacks than other similar organizations and despite the implementation of robust security measures, the Company cannot provide assurance that the insurance will fully cover the costs of a cyber security event, and its robust security measures do not guarantee that reputation and financial results will not be adversely affected by such an incident.

Environmental Matters

The Company entered into a consent order agreement with the Pennsylvania Department of Environmental Protection in December 2016 after the Company determined it exceeded the action level for lead as established by the Lead and Copper Rule, or LCR, issued by the U.S. Environmental Protection Agency. The Company did not have an exceedance in any subsequent compliance test. Under the agreement, the Company successfully completed its commitment to exceed the LCR replacement schedule by replacing all the known company-owned lead service lines within four years from the agreement. Any additional company-owned lead service lines that are discovered will be replaced and included in utility plant but are not expected to have a material impact on the financial position of the Company.

The Company was granted approval by the PPUC to modify its tariff to include the cost of the annual replacement of up to 400 lead customer-owned service lines over nine years from the agreement. The tariff modification allows the Company to replace customer-owned service lines at its own initial cost. The Company will record the costs as a regulatory asset to be recovered in future base rates to customers, over a four-year period. The cost for the customer-owned lead service line replacements was approximately $1,351 and $1,204 through December 31, 2021 and 2020, respectively, and is included as a regulatory asset. Based on its experience, the Company estimates that lead customer-owned service lines replacements will cost $1,400. This estimate is subject to adjustment as more facts become available.

Dividends

During 2021, the Company's dividend payout ratios relative to net income and net cash provided by operating activities were 58.3% and 42.7%, respectively. During 2020, the Company's dividend payout ratios relative to net income and net cash provided by operating activities were 57.2% and 46.4%, respectively. During the fourth quarter of 2021, the Board of Directors increased the dividend by 4.00% from $0.1874 per share to $0.1949 per share per quarter.

The Company’s Board of Directors declared a dividend in the amount of $0.1949 per share at its January 2022 meeting. The dividend is payable on April 14, 2022 to shareholders of record as of February 28, 2022. While the Company expects to maintain this dividend amount in 2022, future dividends will be dependent upon the Company’s earnings, financial condition, capital demands and other factors and will be determined by the Company’s Board of Directors. See Note 6 to the Company’s financial statements included herein for restrictions on dividend payments.

Inflation

The Company is affected by inflation, most notably by the continually increasing costs incurred to maintain and expand its service capacity. The cumulative effect of inflation results in significantly higher facility replacement costs which must be recovered from future cash flows. The ability of the Company to recover this increased investment in facilities is dependent upon future rate increases, which are subject to approval by the PPUC. The Company can provide no assurances that its rate increases will be approved by the PPUC; and, if approved, the Company cannot guarantee that these rate increases will be granted in a timely or sufficient manner to cover the investments and expenses for which the rate increase was sought.

Critical Accounting Estimates

The methods, estimates, and judgments the Company used in applying its accounting policies have a significant impact on the results reported in its financial statements. The Company’s accounting policies require management to make subjective judgments because of the need to make estimates of matters that are inherently uncertain. The Company’s most critical accounting estimates include: regulatory assets and liabilities, revenue recognition, accounting for its pension plans, and income taxes.

Regulatory Assets and Liabilities

Generally accepted accounting principles define accounting standards for companies whose rates are established by or are subject to approval by an independent third-party regulator. In accordance with the accounting standards, the Company defers costs and credits on its balance sheet as regulatory assets and liabilities when it is probable that these costs and credits will be recognized in the rate-making process in a period different from when the costs and credits were incurred. These deferred amounts are then recognized in the statement of income in the period in which they are reflected in customer rates. If the Company later finds that these assets and liabilities cannot be included in rate-making, they are adjusted appropriately. See Note 1 for additional details regarding regulatory assets and liabilities.

Revenue Recognition

Operating revenues include amounts billed to metered water and certain wastewater customers on a cycle basis and unbilled amounts based on both actual and estimated usage from the latest meter reading to the end of the accounting period. Estimates are based on average daily usage for those particular customers. The unbilled revenue amount is recorded as a current asset on the balance sheet. Actual results could differ from these estimates and would result in operating revenues being adjusted in the period in which the actual usage is known. Based on historical experience, the Company believes its estimate of unbilled revenues is reasonable.

Pension Accounting

Accounting for defined benefit pension plans requires estimates of future compensation increases, mortality, the discount rate, and expected return on plan assets as well as other variables. These variables are reviewed annually with the Company's pension actuary. The Company used compensation increases of 2.5% to 3.0% in 2020 and 2021.

The Company adopted a new mortality table in 2019, the Pri-2012, using the white collar table for the administrative and general plan and the blue collar table for the union plan. In 2021, the Company adopted the MP-2021 mortality improvement scale, which slightly increased the life expectancy of pension plan participants, resulting in a slight increase to the pension benefit obligation, and ultimately, a decrease in the Company's funded status of the plans.

The Company selected its December 31, 2021 and 2020 discount rates based on the FTSE Pension Liability Index. This index uses spot rates for durations out to 30 years and matches them to expected disbursements from the plan over the long term. The Company believes this index most appropriately matches its pension obligations. The present values of the Company's future pension obligations were determined using a discount rate of 2.65% at December 31, 2021 and 2.30% at December 31, 2020.

Adopting a new mortality table that represents a change in life expectancy and choosing a different discount rate normally changes the amount of pension expense and the corresponding liability. In the case of the Company, these items change its liability, but do not have an impact on its pension expense. The PPUC, in a previous rate settlement, agreed to grant recovery of the Company's contribution to the pension plans in customer rates. As a result, under the accounting standards regarding rate-regulated activities, expense in excess of the Company's pension plan contribution can be deferred as a regulatory asset and expensed as contributions are made to the plans and are recovered in customer rates. Therefore, these changes affect regulatory assets rather than pension expense.

The Company's estimate of the expected return on plan assets is primarily based on the historic returns and projected future returns of the asset classes represented in its plans. The target allocation of pension assets is 50% to 70% equity securities, 30% to 50% fixed income securities, and 0% to 10% cash reserves. The Company used 6.50% as its expected rate of return in 2020 and 2021. A decrease in the expected pension return would normally cause an increase in pension expense; however due to the aforementioned rate settlement, the Company's expense would continue to be equal to its contributions to the plans. The change would instead be recorded in regulatory assets.

Lower discount rates and underperformance of assets could cause future required contributions and expense to increase substantially. If this were to happen, the Company would have to consider changes to its pension plan benefits and possibly request additional recovery of expenses through increased rates charged to customers. See Note 11 to the Company's financial statements included herein for additional details regarding the pension plans.

Income Taxes

The Company estimates the amount of income tax payable or refundable for the current year and the deferred income tax liabilities and assets that results from estimating temporary differences resulting from the treatment of certain items, such as depreciation, for tax and financial statement reporting. Generally, these differences result in the recognition of a deferred tax asset or liability on the balance sheet and require the Company to make judgments regarding the probability of the ultimate tax impact of the various transactions entered into. Based on these judgments, it may require tax reserves or valuation allowances on deferred tax assets to reflect the expected realization of future tax benefits. The Company believes its determination of what qualifies as a repair expense tax deduction versus a capital cost as it relates to the IRS TPR ongoing and catch-up deductions is consistent with the regulations. The Company also believes it has appropriately applied the provisions of the 2017 Tax Act and the 2021 Infrastructure Act including properly applying the accounting standards related to these acts. Actual income taxes could vary from these estimates and changes in these estimates could increase income tax expense in the period that these changes in estimates occur.

Off-Balance Sheet Transactions

The Company does not use off-balance sheet transactions, arrangements or obligations that may have a material current or future effect on financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenues or expenses. The Company does not use securitization of receivables or unconsolidated entities. For risk management purposes, the Company uses a derivative financial instrument, an interest rate swap agreement discussed in Note 7 to the financial statements included herein. The Company does not engage in trading or other risk management activities, does not use other derivative financial instruments for any purpose, has no material lease obligations, no guarantees and does not have material transactions involving related parties.

Impact of Recent Accounting Pronouncements

There are currently no recent accounting pronouncements that are expected to have a material impact to the Company's financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 8. Financial Statements.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
The York Water Company

Opinion on the Financial Statements

We have audited the accompanying balance sheets of The York Water Company (the "Company") as of December 31, 2021 and 2020, the related statements of income, common stockholders' equity, and cash flows for the years then ended and the related notes and financial statement schedule listed in Item 15(a)2 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Baker Tilly US, LLP

We have served as the Company's auditor since 2003.

York, Pennsylvania
March 8, 2022

THE YORK WATER COMPANY

Balance Sheets
(In thousands of dollars, except per share amounts)

	Dec. 31, 2021	Dec. 31, 2020
ASSETS		
UTILITY PLANT, at original cost	$ 485,750	$ 438,670
Plant acquisition adjustments	(3,637)	(3,707)
Accumulated depreciation	(99,204)	(91,340)
Net utility plant	382,909	343,623
OTHER PHYSICAL PROPERTY, net of accumulated depreciation of $483 in 2021 and $458 in 2020	717	742
CURRENT ASSETS:		
Cash and cash equivalents	1	2
Restricted cash	-	5,000
Accounts receivable, net of reserves of $855 in 2021 and $655 in 2020	4,634	5,184
Unbilled revenues	2,784	2,847
Recoverable income taxes	894	721
Materials and supplies inventories, at cost	1,917	1,010
Prepaid expenses	1,032	1,526
Total current assets	11,262	16,290
OTHER LONG-TERM ASSETS:		
Prepaid pension cost	14,054	2,209
Note receivable	255	255
Deferred regulatory assets	45,280	39,893
Other assets	4,376	3,945
Total other long-term assets	63,965	46,302
Total Assets	**$ 458,853**	**$ 406,957**

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Balance Sheets
(In thousands of dollars, except per share amounts)

	Dec. 31, 2021	Dec. 31, 2020
STOCKHOLDERS' EQUITY AND LIABILITIES		
COMMON STOCKHOLDERS' EQUITY:		
Common stock, no par value, authorized 46,500,000 shares, issued and outstanding 13,112,948 shares in 2021 and 13,060,817 shares in 2020	$ 88,230	$ 85,935
Retained earnings	64,392	57,317
Total common stockholders' equity	152,622	143,252
PREFERRED STOCK, authorized 500,000 shares, no shares issued	-	-
LONG-TERM DEBT, excluding current portion	138,869	123,573
COMMITMENTS	-	-
CURRENT LIABILITIES:		
Current portion of long-term debt	7,500	-
Accounts payable	6,712	6,540
Dividends payable	2,293	2,192
Accrued compensation and benefits	1,575	1,417
Accrued interest	959	959
Deferred regulatory liabilities	607	525
Other accrued expenses	440	360
Total current liabilities	20,086	11,993
DEFERRED CREDITS:		
Customers' advances for construction	12,820	10,326
Deferred income taxes	49,590	43,538
Deferred employee benefits	4,530	4,793
Deferred regulatory liabilities	36,374	25,444
Other deferred credits	2,086	2,731
Total deferred credits	105,400	86,832
Contributions in aid of construction	41,876	41,307
Total Stockholders' Equity and Liabilities	**$ 458,853**	**$ 406,957**

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Income
(In thousands of dollars, except per share amounts)

	Year Ended December 31 2021	Year Ended December 31 2020
OPERATING REVENUES	$ 55,119	$ 53,852
OPERATING EXPENSES:		
Operation and maintenance	11,822	10,781
Administrative and general	9,754	9,258
Depreciation and amortization	8,859	8,177
Taxes other than income taxes	1,288	1,205
	31,723	29,421
Operating income	23,396	24,431
OTHER INCOME (EXPENSES):		
Interest on debt	(4,926)	(4,707)
Allowance for funds used during construction	1,221	530
Other pension costs	(1,214)	(1,362)
Gain on life insurance	-	515
Other income (expenses), net	(373)	(791)
	(5,292)	(5,815)
Income before income taxes	18,104	18,616
Income taxes	1,120	2,018
Net Income	**$ 16,984**	**$ 16,598**
Basic Earnings Per Share	**$ 1.30**	**$ 1.27**
Diluted Earnings Per Share	**$ 1.30**	**$ 1.27**

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Common Stockholders' Equity
(In thousands of dollars, except per share amounts)
For the Years Ended December 31, 2021 and 2020

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total
Balance, December 31, 2019	13,014,898	$ 83,976	$ 50,209	$ 134,185
Net income	-	-	16,598	16,598
Cash dividends declared, $0.7280 per share	-	-	(9,490)	(9,490)
Issuance of common stock under dividend reinvestment, direct stock and employee stock purchase plans	41,088	1,805	-	1,805
Stock-based compensation	4,831	154	-	154
Balance, December 31, 2020	13,060,817	85,935	57,317	143,252
Net income	-	-	16,984	16,984
Cash dividends declared, $0.7571 per share	-	-	(9,909)	(9,909)
Issuance of common stock under dividend reinvestment, direct stock and employee stock purchase plans	45,961	2,082	-	2,082
Stock-based compensation	6,170	213	-	213
Balance, December 31, 2021	13,112,948	$ 88,230	$ 64,392	$ 152,622

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Cash Flows
(In thousands of dollars, except per share amounts)

	Year Ended December 31 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 16,984	$ 16,598
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on life insurance	-	(515)
Depreciation and amortization	8,859	8,177
Stock-based compensation	213	154
Increase in deferred income taxes	164	88
Other	15	552
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable and unbilled revenues	235	(1,948)
Increase in recoverable income taxes	(173)	(174)
Increase in materials and supplies, prepaid expenses, prepaid pension cost, regulatory and other assets	(8,508)	(8,205)
Increase in accounts payable, accrued compensation and benefits, accrued expenses, deferred employee benefits, regulatory liabilities, and other deferred credits	5,170	5,463
Increase in accrued interest	-	45
Net cash provided by operating activities	22,959	20,235
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility plant additions, including debt portion of allowance for funds used during construction of $682 in 2021 and $296 in 2020	(34,409)	(32,123)
Acquisitions of wastewater systems	(11,991)	(1,176)
Cash received from surrender of life insurance policies	-	672
Net cash used in investing activities	(46,400)	(32,627)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Customers' advances for construction and contributions in aid of construction	3,989	3,155
Repayments of customer advances	(926)	(419)
Proceeds of long-term debt issues	60,269	62,156
Debt issuance costs	-	(162)
Repayments of long-term debt	(37,649)	(39,628)
Changes in cash overdraft position	483	(121)
Issuance of common stock	2,082	1,805
Dividends paid	(9,808)	(9,394)
Net cash provided by financing activities	18,440	17,392
Net change in cash, cash equivalents, and restricted cash	(5,001)	5,000
Cash, cash equivalents, and restricted cash at beginning of period	5,002	2
Cash, cash equivalents, and restricted cash at end of period	$ 1	$ 5,002
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	$ 4,056	$ 4,180
Income taxes	714	2,429

Supplemental disclosure of non-cash investing and financing activities:
Accounts payable includes $2,572 in 2021 and $3,022 in 2020 for the construction of utility plant.
Contributions in aid of construction includes $1,024 in 2020 recorded as part of the Felton Borough acquisition.

Reconciliation of cash, cash equivalents, and restricted cash reported in the Balance Sheets	2021	2020
Cash and cash equivalents	1	2
Restricted cash	-	5,000
Cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 1	$ 5,002

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

(In thousands of dollars, except per share amounts)

1. Significant Accounting Policies

The primary business of The York Water Company, or the Company, is to impound, purify and distribute water. The Company also owns and operates three wastewater collection systems and five wastewater collection and treatment systems. The Company operates within its franchised territory located in three counties within south-central Pennsylvania and is subject to regulation by the Pennsylvania Public Utility Commission, or PPUC.

The following summarizes the significant accounting policies employed by The York Water Company.

Utility Plant and Depreciation

The cost of additions includes contracted cost, direct labor and fringe benefits, materials, overhead and, for certain utility plant, allowance for funds used during construction. In accordance with regulatory accounting requirements, water and wastewater systems acquired are recorded at estimated original cost of utility plant when first devoted to utility service and the applicable depreciation is recorded to accumulated depreciation. The difference between the estimated original cost less applicable accumulated depreciation, and the purchase price and acquisition costs, is recorded as an acquisition adjustment within utility plant as permitted by the PPUC. At December 31, 2021 and 2020, utility plant includes a net credit acquisition adjustment of $3,637 and $3,707, respectively. For those amounts approved by the PPUC, the net acquisition adjustment is being amortized over the remaining life of the respective assets. Certain amounts are still awaiting approval from the PPUC before amortization will commence. Amortization amounted to $67 for each of the years ended December 31, 2021 and 2020.

Upon normal retirement of depreciable property, the estimated or actual cost of the asset is credited to the utility plant account, and such amounts, together with the cost of removal less salvage value, are charged to the reserve for depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is reported. Gains or losses from abnormal retirements are reflected in income currently.

The straight-line remaining life method is used to compute depreciation on utility plant cost, exclusive of land and land rights. Annual provisions for depreciation of transportation and mechanical equipment included in utility plant are computed on a straight-line basis over the estimated service lives. Such provisions are charged to clearing accounts and apportioned therefrom to operating expenses and other accounts in accordance with the Uniform System of Accounts as prescribed by the PPUC.

The Company charges to maintenance expense the cost of repairs and replacements and renewals of minor items of property. Maintenance of transportation equipment is charged to clearing accounts and apportioned therefrom in a manner similar to depreciation. The cost of replacements, renewals, and betterments of units of property is capitalized to the utility plant accounts.

The following remaining lives are used for financial reporting purposes:

	December 31		Approximate range
Utility Plant Asset Category	**2021**	**2020**	**of remaining lives**
Mains and accessories	$242,160	$212,164	11 – 85 years
Services, meters, and hydrants	87,164	80,590	17 – 51 years
Operations structures, reservoirs, and water tanks	73,462	65,617	9 – 57 years
Pumping and treatment equipment	37,209	34,163	5 – 30 years
Office, transportation, and operating equipment	16,856	15,520	2 – 21 years
Land and other non-depreciable assets	3,714	3,478	-
Utility plant in service	460,565	411,532	
Construction work in progress	25,185	27,138	-
Total Utility Plant	$485,750	$438,670	

The effective rate of depreciation was 2.33% in 2021 and 2020, on average utility plant, net of customers' advances and contributions. Larger depreciation provisions resulting from allowable accelerated methods are deducted for tax purposes.

Cash and Cash Equivalents
For the purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents except for those instruments earmarked to fund construction expenditures or repay long-term debt.

The Company periodically maintains cash balances in major financial institutions in excess of the federally insured limit by the Federal Deposit Insurance Corporation (FDIC). The Company has not experienced any losses and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Restricted Cash
The Company considers any cash account that it cannot access on demand due to contractual or legal reasons to be restricted cash.

At December 31, 2021, the Company held no restricted cash. At December 31, 2020, the Company held $5,000 in restricted cash which was a bid deposit held in escrow for a potential acquisition.

Accounts Receivable
Accounts receivable are stated at outstanding balances, less a reserve for doubtful accounts. The reserve for doubtful accounts is established through provisions charged against income. Accounts deemed to be uncollectible are charged against the reserve and subsequent recoveries, if any, are credited to the reserve. The reserve for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the reserve is based on past experience, agings of the receivables, adverse situations that may affect a customer's ability to pay, current economic conditions, and other relevant factors. This evaluation is inherently subjective. Unpaid balances remaining after the stated payment terms are considered past due.

Materials and Supplies Inventories
Materials and supplies inventories are stated at cost. Costs are determined using the average cost method.

Note Receivable
Note receivable is recorded at cost and represents amounts due from a municipality for construction of water mains in their municipality. Management, considering current information and events regarding the borrowers' ability to repay their obligations, considers a note to be impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the note agreement. When a note is considered to be impaired, the carrying value of the note is written down. The amount of the impairment is measured based on the present value of expected future cash flows discounted at the note's effective interest rate.

Regulatory Assets and Liabilities
The Company is subject to the provisions of generally accepted accounting principles regarding rate-regulated entities. The accounting standards provide for the recognition of regulatory assets and liabilities as allowed by regulators for costs or credits that are reflected in current customer rates or are considered probable of being included in future rates. The regulatory assets or liabilities are then relieved as the cost or credit is reflected in rates. Regulatory assets represent costs that are expected to be fully recovered from customers in future rates while regulatory liabilities represent amounts that are expected to be refunded to customers in future rates. These deferred costs have been excluded from the Company’s rate base and, therefore, no return is being earned on the unamortized balances.

Regulatory assets and liabilities are comprised of the following:

	December 31 2021	December 31 2020	Remaining Recovery Periods
Assets			
Income taxes	$33,255	$28,200	Various
Unrealized swap losses	2,054	2,700	1 – 8 years
Utility plant retirement costs	7,245	5,968	5 years
Customer-owned lead service line replacements	1,161	1,081	Various
Income taxes on customers' advances for construction and contributions in aid of construction	1,545	1,815	Various
Service life study expenses	3	8	1 year
Rate case filing expenses	17	121	1 year
	$45,280	$39,893	
Liabilities			
Excess accumulated deferred income taxes on accelerated depreciation	$13,644	$13,826	Various
Postretirement benefits	11,870	25	Not yet known
Income taxes	8,314	8,706	Various
IRS TPR catch-up deduction	3,153	3,412	12 years
	$36,981	$25,969	

The regulatory asset for income taxes includes (a) deferred state income taxes related primarily to differences between book and tax depreciation expense, (b) deferred income taxes related to the differences that arise between specific asset improvement costs capitalized for book purposes and deducted as a repair expense for tax purposes, and (c) deferred income taxes associated with the gross-up of revenues related to the differences. These assets are recognized for ratemaking purposes on a cash or flow-through basis and will be recovered in rates as they reverse.

The Company uses regulatory accounting treatment to defer the mark-to-market unrealized gains and losses on its interest rate swap to reflect that the gain or loss is included in the ratemaking formula when the transaction actually settles. The value of the swap as of the balance sheet date is recorded as part of other deferred credits. Realized gains or losses on the swap will be recorded as interest expense in the statement of income over its remaining term of 8 years.

Utility plant retirement costs represents costs already incurred for the removal of assets, which are expected to be recovered over a five-year period in rates, through depreciation expense.

The Company was granted approval by the PPUC to modify its tariff to replace lead customer-owned service lines that are discovered when the Company replaces its lead service lines over the remaining three years, and to include the cost of the annual replacement of up to 400 lead customer-owned service lines whenever they are discovered, regardless of the material used for the company-owned service line over nine years. The tariff modification allows the Company to replace customer-owned service lines at its own initial cost and record the costs as a regulatory asset to be recovered in future base rates to customers. The recovery period was established in the most recent rate order at four years beginning March 1, 2019. The recovery period for the customer-owned lead service line replacements completed subsequent to the most recent rate order will begin after the next rate order.

Service life study and rate case filing expenses are deferred and amortized over their remaining life of one year.

Pursuant to the Tax Cuts and Jobs Act of 2017, or 2017 Tax Act, customers' advances for construction and contributions in aid of construction are considered taxable income. The Company's tariff allows the Company to record these income taxes for inclusion in rate base. This asset is recognized for ratemaking purposes on a cash or flow-through basis and will be recovered in rates as it reverses. In November 2021, the Infrastructure Investment and Jobs Act of 2021, or 2021 Infrastructure Act, repealed the tax treatment of customers' advances for construction and contributions in aid of construction made after December 31, 2020.

Under normalization rules applicable to public utility property included in the 2017 Tax Act, the excess accumulated deferred income taxes on accelerated depreciation from lowering of the enacted federal statutory corporate tax rate is recorded as a regulatory liability. The benefit will be given back to customers in rates over the remaining regulatory life of the property.

The regulatory liability for income taxes includes deferred taxes related to excess accumulated deferred income taxes on accelerated depreciation, other postretirement benefits, customers' advances for construction and contributions in aid of construction, and bad debts, as well as deferred investment tax credits. These liabilities will be given back to customers in rates, as tax deductions occur over the next 1 to 50 years.

The regulatory liability for the Internal Revenue Service, or IRS, tangible property regulations, or TPR, catch-up deduction represents the tax benefits realized on the Company's 2014 income tax return for qualifying capital expenditures made prior to 2014. The period over which it will be given back to customers in rates was established in the most recent rate order at 15 years beginning March 1, 2019.

Postretirement benefits include the difference between contributions and deferred pension expense and the overfunded status of the pension plans. The overfunded status represents the difference between the projected benefit obligation and the fair market value of the assets. This liability will change in future years based on the amount of contributions made and market returns. The liability will be given back to customers in rates over some period determined by the PPUC in a future rate filing.

Other Assets
Other assets consist mainly of the cash value of life insurance policies held as an investment by the Company for reimbursement of costs and benefits associated with its supplemental retirement and deferred compensation programs.

Deferred Debt Expense
Deferred debt expense is amortized on a straight-line basis over the term of the related debt and is presented on the balance sheet as a direct reduction from long-term debt.

Customers' Advances for Construction
Customer advances are cash payments from developers, municipalities, customers, or builders for construction of utility plant, and are refundable upon completion of construction, as operating revenues are earned. If the Company loans funds for construction to the customer, the refund amount is credited to the note receivable rather than paid out in cash. After all refunds to which the customer is entitled are made, any remaining balance is transferred to contributions in aid of construction.

Contributions in Aid of Construction
Contributions in Aid of Construction is composed of (i) direct, non-refundable contributions from developers, customers, or builders for construction of water infrastructure and (ii) customer advances that have become non-refundable. Contributions in aid of construction are deducted from the Company's rate base, and therefore, no return is earned on property financed with contributions. The PPUC requires that contributions received remain on the Company's balance sheets indefinitely as a long-term liability.

Interest Rate Swap Agreement
The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. The Company utilizes an interest rate swap agreement to effectively convert its variable-rate debt to a fixed rate. Interest rate swaps are contracts in which a series of interest rate cash flows are exchanged over a prescribed period. The notional amount on which the interest payments are based is not exchanged. The Company has designated the interest rate swap agreement as a cash flow hedge, classified as a financial derivative used for non-trading activities.

The accounting standards regarding accounting for derivatives and hedging activities require companies to recognize all derivative instruments as either assets or liabilities at fair value on the balance sheets. In accordance with the standards, the interest rate swap is recorded on the balance sheets in other deferred credits at fair value.

The Company uses regulatory accounting treatment rather than hedge accounting to defer the unrealized gains and losses on its interest rate swap. These unrealized gains and losses are recorded as a regulatory asset. Based on current ratemaking treatment, the Company expects the gains and losses to be recognized in rates and in interest expense as the swap settlements occur. Swap settlements are recorded in the income statement with the hedged item as interest expense. Swap settlements resulted in the reclassification from regulatory assets to interest expense of $372 in 2021 and $342 in 2020. The overall swap result was a (gain) loss of $(274) in 2021 and $815 in 2020. During the twelve months ending December 31, 2022, the Company expects to reclassify $342 (before tax) from regulatory assets to interest expense.

The interest rate swap will expire on October 1, 2029.

Stock-Based Compensation
The Company records compensation expense in the financial statements for stock-based awards based on the grant date fair value of those awards. Stock-based compensation expense is recognized over the requisite service periods of the awards on a straight-line basis, which is generally commensurate with the vesting term. Forfeitures are recognized as they occur.

Income Taxes
Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes.

Deferred income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. To the extent such income taxes increase or decrease future rates, an offsetting regulatory asset or liability has been recorded.

Investment tax credits have been deferred and are being amortized to income over the average estimated service lives of the related assets. As of December 31, 2021 and 2020, deferred investment tax credits amounted to $463 and $500, respectively.

The Company filed for a change in accounting method under the IRS TPR effective in 2014. Under the change in accounting method, the Company is permitted to deduct the costs of certain asset improvements that were previously being capitalized and depreciated for tax purposes as an expense on its income tax return. The Company was permitted to make this deduction for prior years (the "catch-up deduction") and each year going forward, beginning with 2014 (the "ongoing deduction"). After receiving approval from the PPUC in its most recent rate order, the Company began to recognize the catch-up deduction, recorded as a regulatory liability, over 15 years beginning March 1, 2019. The ongoing deduction results in a reduction in the effective income tax rate, a net reduction in income tax expense, and a reduction in the amount of income taxes currently payable. The catch-up deduction resulted in a decrease in current income taxes payable and an increase to regulatory liabilities. Both the ongoing and catch-up deductions resulted in increases to deferred tax liabilities and regulatory assets representing the appropriate book and tax basis difference on capital additions.

The 2017 Tax Act, among other things, reduces the federal statutory corporate tax rate for tax years beginning in 2018 from 34% to 21%, treats customers' advances for construction and contributions in aid of construction as taxable income, eliminates certain deductions, and eliminates bonus depreciation on qualified water and wastewater property. This resulted in the remeasurement of the federal portion of the Company's deferred taxes as of December 31, 2017 to the 21% rate. The effect was recognized in income for the year ended December 31, 2017 for all deferred tax assets and liabilities except accelerated depreciation. Under normalization rules applicable to public utility property included in the 2017 Tax Act, the excess accumulated deferred income taxes on accelerated depreciation is recorded as a regulatory liability. The regulatory liability is a temporary difference, so a deferred tax asset is recorded including the gross-up of revenue necessary to return, in rates, the effect of the temporary difference. In November 2021, the 2021 Infrastructure Act repealed the tax treatment of customers' advances for construction and contributions in aid of construction made after December 31, 2020.

Allowance for Funds Used During Construction
Allowance for funds used during construction (AFUDC) represents the estimated cost of funds used for construction purposes during the period of construction. These costs are reflected as non-cash income during the construction period and as an addition to the cost of plant constructed. AFUDC includes the net cost of borrowed funds and a rate of return on other funds. The PPUC approved rate of 10.04% was applied for 2021 and 2020. AFUDC is recovered through water and wastewater rates as utility plant is depreciated.

Use of Estimates in the Preparation of Financial Statements
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Acquisitions

On April 9, 2020, the Company completed the acquisition of the wastewater collection and treatment assets of Felton Borough in York County, Pennsylvania. The Company began operating the existing collection and treatment facilities on April 16, 2020. The acquisition resulted in the addition of approximately 130 wastewater customers with purchase price and acquisition costs of approximately $914, which is more than the depreciated original cost of the assets net of contributions in aid of construction. The Company recorded an acquisition adjustment of $295 and will seek approval from the PPUC to amortize the acquisition adjustment over the remaining life of the acquired assets. This acquisition is immaterial to Company results.

On September 14, 2020, the Company completed the acquisition of the wastewater collection and treatment assets and began operating the existing collection and treatment facilities of the Letterkenny Township Municipal Authority in Franklin County, Pennsylvania. The acquisition resulted in the addition of approximately 180 wastewater customers with purchase price and acquisition costs of approximately $262 which is less than the depreciated original cost of the assets. The Company recorded a negative acquisition adjustment of $751 and will seek approval from the PPUC to amortize the acquisition adjustment over the remaining life of the acquired assets. This acquisition is immaterial to Company results.

On December 30, 2021, the Company completed the acquisition of the wastewater collection assets of West Manheim Township in York County, Pennsylvania. The Company began operating the existing collection facilities on January 3, 2022. The acquisition resulted in the addition of approximately 1,800 wastewater customers with purchase price and acquisition costs of approximately $11,991 which is more than the depreciated original cost of the assets. The Company recorded an acquisition adjustment of $3 and will seek approval from the PPUC to expense the acquisition adjustment. This acquisition is immaterial to Company results.

3. Accounts Receivable and Contract Assets

Accounts receivable and contract assets are summarized in the following table:

	As of Dec. 31, 2021	As of Dec. 31, 2020	Change
Accounts receivable – customers	$5,034	$5,633	$(599)
Other receivables	455	206	249
	5,489	5,839	(350)
Less: allowance for doubtful accounts	(855)	(655)	200
Accounts receivable, net	$4,634	5,184	$(550)
Unbilled revenue	$2,784	$2,847	$(63)

Differences in timing of revenue recognition, billings, and cash collections result in receivables and contract assets. Generally, billing occurs subsequent to revenue recognition, resulting in a contract asset reported as unbilled revenue on the balance sheet. The Company does not receive advances or deposits from customers before revenue is recognized so no contract liabilities are reported. Accounts receivable are recorded when the right to consideration becomes unconditional and are presented separately on the balance sheet. The changes in accounts receivable – customers and in unbilled revenue were primarily due to normal timing difference between performance and the customer's payments.

4. Note Receivable and Customers' Advances for Construction

The Company entered into an agreement with a municipality to extend water service into a previously formed water district. The Company loaned funds to the municipality to cover the costs related to the project. The municipality concurrently advanced these funds back to the Company in the form of customers' advances for construction. The municipality is required by enacted ordinance to charge application fees and water revenue surcharges (fees) to customers connected to the system, which are remitted to the Company. The note principal and the related customer advance that could be used to settle the note receivable are reduced periodically as operating revenues are earned by the Company from customers connected to the system and refunds of the advance are made. There is no due date for the notes or expiration date for the advance.

The Company recorded interest income of $164 in 2021 and $139 in 2020. The interest rate on the note outstanding is 7.5%.

Included in the accompanying balance sheets at December 31, 2021 and 2020 were the following amounts related to this project.

	2021	2020
Note receivable, including interest	$255	$255
Customers' advances for construction	284	302

The Company has other customers' advances for construction totaling $12,536 and $10,024 at December 31, 2021 and 2020, respectively.

5. Common Stock and Earnings Per Share

Net income of $16,984 and $16,598 for the years ended December 31, 2021 and 2020, respectively, is used to calculate both basic and diluted earnings per share. Basic net income per share is based on the weighted average number of common shares outstanding. Diluted net income per share is based on the weighted average number of common shares outstanding plus potentially dilutive shares. The dilutive effect of employee stock-based compensation is included in the computation of diluted net income per share. The dilutive effect of stock-based compensation is calculated using the treasury stock method and expected proceeds upon exercise or issuance of the stock-based compensation.

The following table summarizes the shares used in computing basic and diluted net income per share:

	2021	**2020**
Weighted average common shares, basic	13,076,263	13,033,681
Effect of dilutive securities:		
Employee stock-based compensation	1,027	839
Weighted average common shares, diluted	13,077,290	13,034,520

Under the employee stock purchase plan, all full-time employees who have been employed at least ninety consecutive days may purchase shares of the Company's common stock limited to 10% of gross compensation. The purchase price is 95% of the fair market value (as defined). Shares issued during 2021 and 2020 were 3,986 and 3,718, respectively. As of December 31, 2021, 54,021 authorized shares remain unissued under the plan.

The Company has a Dividend Reinvestment and Direct Stock Purchase and Sale Plan (“the Plan”), which is available to both current shareholders and the general public. On November 8, 2019, the Company filed a Registration Statement on Form S-3 with the Securities and Exchange Commission (SEC) to authorize an additional 157,000 shares and rollover the unissued 344,379 shares authorized under the 2016 Form S-3, for issuance under the new Prospectus for the Plan. Under the optional dividend reinvestment portion of the Plan, holders of the Company's common stock may purchase additional shares instead of receiving cash dividends. The purchase price is 95% of the fair market value (as defined). Under the direct stock purchase portion of the Plan, purchases are made monthly at 100% of the stock’s fair market value, as defined in the new Prospectus. The Registration Statement was declared effective by the SEC on November 18, 2019. Shares issued during 2021 and 2020 were 41,975 and 37,370, respectively. As of December 31, 2021, 396,544 authorized shares remain unissued under the Plan.

On March 11, 2013, the Board of Directors, or the Board, authorized a share repurchase program granting the Company authority to repurchase up to 1,200,000 shares of the Company’s common stock from time to time. The stock repurchase program has no specific end date and the Company may repurchase shares in the open market or through privately negotiated transactions. The Company may suspend or discontinue the repurchase program at any time. During both 2021 and 2020, the Company did not repurchase or retire any shares. As of December 31, 2021, 618,004 shares remain available for repurchase.

6. Long-Term Debt and Short-Term Borrowings

Long-term debt as of December 31, 2021 and 2020 is summarized in the following table:

	2021	2020
8.43% Senior Notes, Series D, due 2022	7,500	7,500
Variable Rate Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series 2008A, due 2029	12,000	12,000
3.00% Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series A of 2019, due 2036	10,500	10,500
3.10 % Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series B of 2019, due 2038	14,870	14,870
3.23% Senior Notes, due 2040	15,000	15,000
4.00% - 4.50% York County Industrial Development Authority Exempt Facilities Revenue Bonds, Series 2015, due 2029 - 2045	10,000	10,000
4.54% Senior Notes, due 2049	20,000	20,000
3.24% Senior Notes, due 2050	30,000	30,000
Committed Line of Credit, due 2023	29,320	6,700
Total long-term debt	149,190	126,570
Less discount on issuance of long-term debt	(169)	(181)
Less unamortized debt issuance costs	(2,652)	(2,816)
Less current maturities	(7,500)	-
Long-term portion	$ 138,869	$ 123,573

Payments due by year as of December 31, 2021:

2022	2023	2024	2025	2026
$7,500	$41,320	$-	$-	$330

Payments due in 2023 include payback of the committed line of credit. The committed line of credit is reviewed annually, and upon favorable outcome, would likely be extended for another year. Payments due in 2023 also include potential payments of $12,000 on the variable rate bonds (due 2029) which would only be payable if all bonds were tendered and could not be remarketed, or in the event the Company was unable to, or chose not to, renew the letter of credit backing the bonds. There is currently no such indication of this happening.

Fixed Rate Long-Term Debt

On September 30, 2020, the Company entered into a note purchase agreement with certain institutional investors relating to the private placement of $30,000 aggregate principal amount of the Company's senior notes. The senior notes bear interest at 3.24% per annum payable semiannually and mature on September 30, 2050. The senior notes are unsecured and unsubordinated obligations of the Company. The Company received net proceeds, after deducting issuance costs, of approximately $29,838. The net proceeds were used to refinance the $6,500 aggregate principal amount of the Company's 10.05% Senior Notes, Series C, due September 30, 2020, to refinance line of credit borrowings incurred by the Company as interim financing for various capital projects, to fund acquisitions and for general corporate purposes.

Variable Rate Long-Term Debt
On May 7, 2008, the PEDFA issued $12,000 aggregate principal amount of PEDFA Exempt Facilities Revenue Refunding Bonds, Series A of 2008 (the "Series A Bonds") for the Company's benefit pursuant to the terms of a trust indenture, dated as of May 1, 2008, between the PEDFA and Manufacturers and Traders Trust Company, as trustee. The PEDFA then loaned the proceeds of the offering of the Series A Bonds to the Company pursuant to a loan agreement, dated as of May 1, 2008, between the Company and the PEDFA. The loan agreement provides for a $12,000 loan with a maturity date of October 1, 2029. Amounts outstanding under the loan agreement are the Company's direct general obligations. The proceeds of the loan were used to redeem the PEDFA Exempt Facilities Revenue Bonds, Series B of 2004 (the "2004 Series B Bonds"). The 2004 Series B Bonds were redeemed because the bonds were tendered and could not be remarketed due to the downgrade of the bond insurer's credit rating.

Borrowings under the loan agreement bear interest at a variable rate as determined by PNC Capital Markets, as remarketing agent, on a periodic basis elected by the Company, which has currently elected that the interest rate be determined on a weekly basis. The remarketing agent determines the interest rate based on the current market conditions in order to determine the lowest interest rate which would cause the Series A Bonds to have a market value equal to the principal amount thereof plus accrued interest thereon. The variable interest rate under the loan agreement averaged 0.07% in 2021 and 0.62% in 2020. As of December 31, 2021 and 2020, the interest rate was 0.13% and 0.12%, respectively.

The holders of the $12,000 Series A Bonds may tender their bonds at any time. When the bonds are tendered, they are subject to an annual remarketing agreement, pursuant to which a remarketing agent attempts to remarket the tendered bonds according to the terms of the indenture. In order to keep variable interest rates down and to enhance the marketability of the Series A Bonds, the Company entered into a Reimbursement, Credit and Security Agreement with PNC Bank, National Association ("the Bank") dated as of May 1, 2008. This agreement provides for a direct pay letter of credit issued by the Bank to the trustee for the Series A Bonds. The Bank is responsible for providing the trustee with funds for the timely payment of the principal and interest on the Series A Bonds and for the purchase price of the Series A Bonds that have been tendered or deemed tendered for purchase and have not been remarketed. The Company's responsibility is to reimburse the Bank the same day as regular interest payments are made, and within fourteen months for the purchase price of tendered bonds that have not been remarketed. The reimbursement period for the principal is immediate at maturity, upon default by the Company, or if the Bank does not renew the Letter of Credit. The current expiration date of the Letter of Credit is June 30, 2023. It is reviewed annually for a potential extension of the expiration date.

The Company may elect to have the Series A Bonds redeemed, in whole or in part, on any date that interest is payable for a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. The Series A Bonds are also subject to mandatory redemption for the same redemption price in the event that the IRS determines that the interest payable on the Series A Bonds is includable in gross income of the holders of the bonds for federal tax purposes.

Interest Rate Swap Agreement
In connection with the issuance of the PEDFA 2004 Series B Bonds, the Company entered into an interest rate swap agreement with a counterparty, in the notional principal amount of $12,000. The Company elected to retain the swap agreement for the 2008 Series A Bonds. Interest rate swap agreements derive their value from underlying interest rates. These transactions involve both credit and market risk. The notional amounts are amounts on which calculations, payments, and the value of the derivative are based. Notional amounts do not represent direct credit exposure. Direct credit exposure is limited to the net difference between the calculated amounts to be received and paid, if any. Such difference, which represents the fair value of the swap, is reflected on the Company's balance sheets. See Note 7 for additional information regarding the fair value of the swap.

The interest rate swap will terminate on the maturity date of the 2008 Series A Bonds (which is the same date as the maturity date of the loan under the loan agreement), unless sooner terminated pursuant to its terms. In the event the interest rate swap terminates prior to the maturity date of the 2008 Series A Bonds, either the Company or the swap counterparty may be required to make a termination payment to the other based on market conditions at such time. The Company is exposed to credit-related losses in the event of nonperformance by the counterparty. The Company controls the credit risk of its financial contracts through credit approvals, limits and monitoring procedures, and does not expect the counterparty to default on its obligations. Notwithstanding the terms of the swap agreement, the Company is ultimately obligated for all amounts due and payable under the loan agreement.

The interest rate swap agreement contains provisions that require the Company to maintain a credit rating of at least BBB- with Standard & Poor's. On October 8, 2021, Standard & Poor's affirmed the Company's credit rating at A-, with a stable outlook and adequate liquidity. If the Company's rating were to fall below this rating, it would be in violation of these provisions, and the counterparty to the derivative could request immediate payment if the derivative was in a liability position. The Company's interest rate swap was in a liability position as of December 31, 2021. If a violation was triggered on December 31, 2021, the Company would have been required to pay the counterparty approximately $2,107.

The Company's interest rate swap agreement provides that it pays the counterparty a fixed interest rate of 3.16% on the notional amount of $12,000. In exchange, the counterparty pays the Company a floating interest rate (based on 59% of the U.S. Dollar one-month LIBOR rate) on the notional amount. The floating interest rate paid to the Company is intended, over the term of the swap, to approximate the variable interest rate on the loan agreement and the interest rate paid to bondholders, thereby managing its exposure to fluctuations in prevailing interest rates. The Company's net payment rate on the swap averaged 3.10% in 2021 and 2.87% in 2020.

As of December 31, 2021, there was a spread of 7 basis points between the variable rate paid to bondholders and the variable rate received from the swap counterparty, which equated to an overall effective rate of 3.23% (including variable interest and swap payments). As of December 31, 2020, there was a spread of 3 basis points which equated to an overall effective rate of 3.19% (including variable interest and swap payments).

Line of Credit Borrowings

In 2020, the Company entered into an agreement for a $50,000 unsecured, committed line of credit at an interest rate of LIBOR plus 1.05% with an unused commitment fee and an interest rate floor. Simultaneously, the Company paid off and terminated all prior existing line of credit agreements aggregating $41,500 with four banks. In 2021, the Company renewed its line of credit and extended the maturity date to September 2023. Average borrowings outstanding under the lines of credit were $11,487 in 2021 and $7,467 in 2020. The average cost of borrowings under the lines of credit was 1.30% during 2021 and 1.59% during 2020. The weighted average interest rate on the line of credit borrowings was 1.30% as of December 31, 2021 and 2020.

The Company utilizes a cash management account that is directly connected to its line of credit. Excess cash generated automatically pays down outstanding borrowings under the line of credit. If there are no outstanding borrowings, the cash is used as an earnings credit to reduce banking fees. Likewise, if additional funds are needed beyond what is generated internally, funds are automatically borrowed under the line of credit. The Company borrowed $29,320 and $6,700 under its line of credit and incurred a cash overdraft of $1,746 and $1,263, which was recorded in accounts payable, as of December 31, 2021 and 2020, respectively.

Debt Covenants and Restrictions

The terms of the debt agreements carry certain covenants and limit in some cases the Company's ability to borrow additional funds, to prepay its borrowings and include certain restrictions with respect to declaration and payment of cash dividends and the Company's acquisition of its stock. Under the terms of the most restrictive agreements, the Company cannot borrow in excess of 60% of its utility plant, and cumulative payments for dividends and acquisition of stock since December 31, 1982 may not exceed $1,500 plus net income since that date. As of December 31, 2021, none of the earnings retained in the business are restricted under these provisions. The Company's debt is unsecured.

The Company's line of credit requires it to maintain a minimum equity to total capitalization ratio (defined as the sum of equity plus funded debt) and a minimum interest coverage ratio (defined as net income plus interest expense plus income tax expense divided by interest expense). As of December 31, 2021, the Company was in compliance with these covenants.

7. Fair Value of Financial Instruments

The accounting standards regarding fair value measurements establish a fair value hierarchy which indicates the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs include quoted prices for identical instruments and are the most observable. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, commodity rates and yield curves. Level 3 inputs are not observable in the market and include management's own judgments about the assumptions market participants would use in pricing the asset or liability.

The Company has recorded its interest rate swap liability at fair value in accordance with the standards. The liability is recorded under the caption "Other deferred credits" on the balance sheets. The table below illustrates the fair value of the interest rate swap as of the end of the reporting period.

Description	December 31, 2021	Fair Value Measurements at Reporting Date Using Significant Other Observable Inputs (Level 2)
Interest Rate Swap	$2,086	$2,086

Fair values are measured as the present value of all expected future cash flows based on the LIBOR-based swap yield curve as of the date of the valuation. These inputs to this calculation are deemed to be Level 2 inputs. The balance sheet carrying value reflects the Company's credit quality as of December 31, 2021. The rate used in discounting all prospective cash flows anticipated to be made under this swap reflects a representation of the yield to maturity for 30-year debt on utilities rated A- as of December 31, 2021. The use of the Company's credit quality resulted in a reduction in the swap liability of $21 as of December 31, 2021. The fair value of the swap reflecting the Company's credit quality as of December 31, 2020 is shown in the table below.

Description	December 31, 2020	Fair Value Measurements at Reporting Date Using Significant Other Observable Inputs (Level 2)
Interest Rate Swap	$2,731	$2,731

The carrying amount of current assets and liabilities that are considered financial instruments approximates fair value as of the dates presented. The Company's total long-term debt, with a carrying value of $149,190 at December 31, 2021, and $126,570 at December 31, 2020, had an estimated fair value of approximately $168,000 and $151,000, respectively. The estimated fair value of debt was calculated using a discounted cash flow technique that incorporates a market interest yield curve with adjustments for duration and risk profile. These inputs to this calculation are deemed to be Level 2 inputs. The Company recognized its credit rating in determining the yield curve and did not factor in third party credit enhancements including the letter of credit on the 2008 PEDFA Series A issue.

Customers' advances for construction and note receivable have carrying values at December 31, 2021 of $12,820 and $255, respectively. At December 31, 2020, customers' advances for construction and note receivable had carrying values of $10,326 and $255, respectively. The relative fair values of these amounts cannot be accurately estimated since the timing of future payment streams is dependent upon several factors, including new customer connections, customer consumption levels and future rate increases.

8. Commitments

Based on its capital budget, the Company anticipates construction and acquisition expenditures for 2022 and 2023 of approximately $44,000 and $50,000, respectively, exclusive of any acquisitions not yet approved. The Company plans to finance ongoing capital expenditures with internally-generated funds, borrowings against the Company's line of credit, proceeds from the issuance of common stock under its dividend reinvestment and direct stock purchase and sale plan and ESPP, potential common stock or debt issues and customer advances and contributions.

The Company entered into a consent order agreement with the Pennsylvania Department of Environmental Protection in December 2016 after the Company determined it exceeded the action level for lead as established by the Lead and Copper Rule, or LCR, issued by the U.S. Environmental Protection Agency. The Company did not have an exceedance in any subsequent compliance test. Under the agreement, the Company successfully completed its commitment to exceed the LCR replacement schedule by replacing all the known company-owned lead service lines within four years from the agreement. Any additional company-owned lead service lines that are discovered will be replaced and included in utility plant but are not expected to have a material impact on the financial position of the Company.

The Company was granted approval by the PPUC to modify its tariff to include the cost of the annual replacement of up to 400 lead customer-owned service lines over nine years from the agreement. The tariff modification allows the Company to replace customer-owned service lines at its own initial cost. The Company will record the costs as a regulatory asset to be recovered in future base rates to customers, over a four-year period. The cost for the customer-owned lead service line replacements was approximately $1,351 and $1,204 through December 31, 2021 and 2020, respectively, and is included as a regulatory asset. Based on its experience, the Company estimates that lead customer-owned service lines replacements will cost $1,400. This estimate is subject to adjustment as more facts become available.

As of December 31, 2021, approximately 32% of the Company's full-time employees are under union contract. The current contract was ratified in October 2020 and expires on April 30, 2023.

The Company is involved in certain legal and administrative proceedings before various courts and governmental agencies concerning utility service and other matters. The Company expects that the ultimate disposition of these proceedings will not have a material effect on the Company's financial position, results of operations and cash flows.

9. Revenue

The following table shows the Company's revenues disaggregated by service and customer type.

	2021	2020
Water utility service:		
Residential	$33,986	$33,987
Commercial and industrial	14,575	13,764
Fire protection	3,247	3,191
Wastewater utility service:		
Residential	1,899	1,746
Commercial and industrial	317	304
Billing and revenue collection services	481	266
Collection services	26	15
Other revenue	37	23
Total Revenue from Contracts with Customers	54,568	53,296
Rents from regulated property	551	556
Total Operating Revenue	$55,119	$53,852

Utility Service
The Company provides utility service as a distinct and single performance obligation to each of its water and wastewater customers. The transaction price is detailed in the tariff pursuant to an order by the PPUC and made publicly available. There is no variable consideration and no free service, special rates, or subnormal charges to any customer. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied over time through the continuous provision of utility service through a stand-ready obligation to perform and the transfer of water or the collection of wastewater through a series of distinct transactions that are identical in nature and have the same pattern of transfer to the customer. The Company uses an output method to recognize the utility service revenue over time. The stand-ready obligation is recognized through the passage of time in the form of a fixed charge and the transfer of water or the collection of wastewater is recognized at a per unit rate based on the actual or estimated flow through the meter. Each customer is invoiced every month and the invoice is due within twenty days. The utility service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period. A contract asset for unbilled revenue is recognized for the passage of time and the actual or estimated usage from the latest meter reading to the end of the accounting period. The methodology is standardized and consistently applied to reduce bias and the need for judgment.

Billing and Revenue Collection Service
The Company provides billing and revenue collection service as distinct performance obligations to two municipalities within the service territory of the Company. The municipalities provide wastewater service to their residents and the Company acts as the billing and revenue collection agent for the municipalities. The transaction price is a fixed amount per bill prepared as established in the contract. There is no variable consideration. Due to the fact that both the billing performance obligation and the revenue collection performance obligation are materially complete by the end of the reporting period, the Company does not allocate the transaction price between the two performance obligations. The performance obligations are satisfied at a point in time when the bills are sent as the municipalities receive all the benefits and bears all of the risk of non-collection at that time. Each municipality is invoiced when the bills are complete and the invoice is due within thirty days. The billing and revenue collection service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period.

Collection Service

The Company provides collection service as a distinct and single performance obligation to several municipalities within the service territory of the Company. The municipalities provide wastewater service to their residents. If those residents are delinquent in paying for their wastewater service, the municipalities request that the Company post for and shut off the supply of water to the premises of those residents. When the resident is no longer delinquent, the Company will restore water service to the premises. The transaction price for each posting, each shut off, and each restoration is a fixed amount as established in the contract. There is no variable consideration. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied at a point in time when the posting, shut off, or restoration is completed as the municipalities receive all the benefits in the form of payment or no longer providing wastewater service. Each municipality is invoiced periodically for the posting, shut offs, and restorations that have been completed since the last billing and the invoice is due within thirty days. The collection service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period. A contract asset for unbilled revenue is recognized for postings, shut offs, and restorations that have been completed from the last billing to the end of the accounting period.

Service Line Protection Plan

The Company provides service line protection as a distinct and single performance obligation to current water customers that choose to participate. The transaction price is detailed in the plan's terms and conditions and made publicly available. There is no variable consideration. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied over time through the continuous provision of service line protection through a stand-ready obligation to perform. The Company uses an output method to recognize the service line protection revenue over time. The stand-ready obligation is recognized through the passage of time. A customer has a choice to prepay for an entire year or to pay in advance each month. The service line protection plan has no returns or extended warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no material performance obligations remain unsatisfied as of the end of the reporting period.

10. Rate Matters

From time to time, the Company files applications for rate increases with the PPUC and is granted rate relief as a result of such requests. Most recently, the PPUC authorized an increase in rates effective March 1, 2019. The company anticipates that it will file a rate increase request in 2022.

The PPUC permits water utilities to collect a distribution system improvement charge, or DSIC. The DSIC allows the Company to add a charge to customers' bills for qualified replacement costs of certain infrastructure without submitting a rate filing. This surcharge mechanism typically adjusts periodically based on additional qualified capital expenditures completed or anticipated in a future period. The DSIC is capped at 5% of base rates, and is reset to zero when new base rates that reflect the costs of those additions become effective or when a utility's earnings exceed a regulatory benchmark. The Company's earnings are currently below the regulatory benchmark, allowing the Company to collect DSIC. The DSIC provided revenues of $627 in 2021 and $0 in 2020. The DSIC is subject to audit by the PPUC.

11. Employee Benefit Plans

Pensions

The Company maintains a general and administrative and a union-represented defined benefit pension plan covering all of its employees hired prior to May 1, 2010. Employees hired after May 1, 2010 are eligible for an enhanced 401(k) plan rather than a defined benefit plan. The benefits under the defined benefit plans are based upon years of service and compensation near retirement. The Company amended its defined benefit pension plans in 2014, generally limiting the years of eligible service under the plans to 30 years. The Company's funding policy is to contribute annually the amount permitted by the PPUC to be collected from customers in rates, but in no case less than the minimum Employee Retirement Income Security Act (ERISA) required contribution.

The following table sets forth the plans' funded status as of December 31, 2021 and 2020. The measurement of assets and obligations of the plans is as of December 31, 2021 and 2020.

Obligations and Funded Status At December 31	**2021**	**2020**
Change in Benefit Obligation		
Pension benefit obligation beginning of year	$54,106	$47,530
Service cost	1,086	938
Interest cost	1,209	1,457
Actuarial (gain) loss	(3,045)	6,165
Benefit payments	(1,826)	(1,984)
Pension benefit obligation end of year	51,530	54,106
Change in Plan Assets		
Fair value of plan assets beginning of year	56,315	49,349
Actual return on plan assets	8,795	6,650
Employer contributions	2,300	2,300
Benefits paid	(1,826)	(1,984)
Fair value of plan assets end of year	65,584	56,315
Funded Status of Plans at End of Year	$14,054	$2,209

The accounting standards require that the funded status of defined benefit pension plans be fully recognized on the balance sheets. They also call for the unrecognized actuarial gain or loss, the unrecognized prior service cost, and the unrecognized transition costs to be adjustments to shareholders' equity (accumulated other comprehensive income). Due to a rate order granted by the PPUC, the Company is permitted under the accounting standards to defer the charges otherwise recorded in accumulated other comprehensive income as a regulatory asset. Management believes these costs will be recovered in future rates charged to customers. The asset for the funded status of the Company's pension plans as of December 31, 2021 and 2020 is recorded in "Prepaid pension cost" on its balance sheets.

In 2021, the plans recognized a significant actuarial gain. The Company adopted the new mortality improvement scale (MP-2021) and recognized a 35 basis point increase in the discount rate. In 2020, the plans recognized a significant actuarial loss. The Company adopted the new mortality improvement scale (MP-2020) but recognized an 80 basis point decrease in the discount rate. The Company uses the corridor method to amortize actuarial gains and losses. Gains and losses over 10% of the greater of pension benefit obligation or the market value of assets are amortized over the average future service of plan participants expected to receive benefits.

Changes in plan assets and benefit obligations recognized in regulatory assets are as follows:

	2021	2020
Net gain (loss) arising during the period	$(8,189)	$2,713
Recognized net actuarial loss	(483)	(370)
Recognized prior service credit	13	13
Total changes in regulatory asset during the year	$(8,659)	$2,356

Amounts recognized in regulatory assets that have not yet been recognized as components of net periodic benefit cost consist of the following at December 31:

	2021	2020
Net loss	$1,825	$10,497
Prior service credit	(50)	(63)
Regulatory asset	$1,775	$10,434

Components of net periodic benefit cost are as follows:

	2021	2020
Service cost	$1,086	$938
Interest cost	1,209	1,457
Expected return on plan assets	(3,651)	(3,198)
Amortization of loss	483	370
Amortization of prior service credit	(13)	(13)
Rate-regulated adjustment	3,186	2,746
Net periodic benefit cost	$2,300	$2,300

Pension service cost is recorded in operating expenses. All other components of net periodic pension cost are recorded as other pension costs in other income (expenses).

The rate-regulated adjustment set forth above is required in order to reflect pension expense for the Company in accordance with the method used in establishing water rates. The Company is permitted by rate order of the PPUC to expense pension costs to the extent of contributions and defer the remaining expense to regulatory assets to be collected in rates at a later date as additional contributions are made. During 2021, the deferral decreased by $3,186.

The estimated costs for the defined benefit pension plans relating to the December 31, 2021 balance sheet that will be amortized from regulatory assets into net periodic benefit cost over the next fiscal year are as follows:

Net loss	$-
Net prior service credit	(13)
	$(13)

The Company plans to contribute $2,300 to the plans in 2022.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in each of the next five years and the subsequent five years in the aggregate:

2022	2023	2024	2025	2026	2027-2031
$1,964	$2,066	$2,183	$2,176	$2,261	$12,847

The following tables show the projected benefit obligation, the accumulated benefit obligation, and the fair value of plan assets as of December 31:

	2021	2020
Projected benefit obligation	$51,530	$54,106
Fair value of plan assets	65,584	56,315

	2021	2020
Accumulated benefit obligation	$48,464	$50,578
Fair value of plan assets	65,584	56,315

Weighted-average assumptions used to determine benefit obligations at December 31:

	2021	2020
Discount rate	2.65%	2.30%
Rate of compensation increase	2.50% - 3.00%	2.50% - 3.00%

Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:

	2021	2020
Discount rate	2.30%	3.10%
Expected long-term return on plan assets	6.50%	6.50%
Rate of compensation increase	2.50% - 3.00%	2.50% - 3.00%

The selected long-term rate of return on plan assets was primarily based on the asset allocation of each of the plan's assets (approximately 50% to 70% equity securities and 30% to 50% fixed income securities). Analysis of the historic returns of these asset classes and projections of expected future returns were considered in setting the long-term rate of return.

The investment objective of the Company's defined benefit pension plans is that of Growth and Income. The weighted-average target asset allocations are 50% to 70% equity securities, 30% to 50% fixed income securities, and 0% to 10% reserves (cash and cash equivalents). Within the equity category, the Company’s target allocation is approximately 60-95% large cap, 0-25% mid cap, 0-10% small cap, 0-25% International Developed Nations, and 0-10% International Emerging Nations. Within the fixed income category, its target allocation is approximately 15-55% U.S. Treasuries, 0-22% Federal Agency securities, 0-40% corporate bonds, 15-55% mortgage-backed securities, 0-20% international, and 0-20% high yield bonds. The Company’s investment performance objectives over a three to five year period are to exceed the annual rate of inflation as measured by the Consumer Price Index by 3%, and to exceed the annualized total return of specified benchmarks applicable to the funds within the asset categories.

Further guidelines within equity securities include: (1) holdings in any one company cannot exceed 5% of the portfolio; (2) a minimum of 20 individual stocks must be included in the domestic stock portfolio; (3) a minimum of 30 individual stocks must be included in the international stock portfolio; (4) equity holdings in any one industry cannot exceed 20-25% of the portfolio; and (5) only U.S.-denominated currency securities are permitted.

Further guidelines for fixed income securities include: (1) fixed income holdings in a single issuer are limited to 5% of the portfolio; (2) acceptable investments include money market securities, U.S. Government and its agencies and sponsored entities' securities, mortgage-backed and asset-backed securities, corporate securities and mutual funds offering high yield bond portfolios; (3) purchases must be limited to investment grade or higher; (4) non-U.S. dollar denominated securities are not permissible; and (5) high risk derivatives are prohibited.

The fair values of the Company's pension plan assets at December 31, 2021 and 2020 by asset category and fair value hierarchy level are as follows. The majority of the valuations are based on quoted prices on active markets (Level 1), with the remaining valuations based on broker/dealer quotes, active market makers, models, and yield curves (Level 2).

	Total Fair Value		**Quoted Prices in Active Markets for Identical Assets (Level 1)**		**Significant Other Observable Inputs (Level 2)**	
Asset Category	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Cash and Money Market Funds (a)	$671	$624	$671	$624	$-	$-
Equity Securities:						
Equity Mutual Funds (b)	43,178	35,707	43,178	35,707	-	-
Fixed Income Securities:						
U.S. Treasury Obligations	621	631	-	-	621	631
Corporate and Foreign Bonds (c)	4,580	5,615	-	-	4,580	5,615
Fixed Income Mutual Funds (d)	16,534	13,738	16,534	13,738	-	-
Total Plan Assets	$65,584	$56,315	$60,383	$50,069	$5,201	$6,246

(a) The portfolios are designed to keep up to one year of distributions in immediately available funds.

(b) This category currently includes a majority of investments in closed-end mutual funds as well as domestic equity mutual funds and international mutual funds which give the portfolio exposure to mid and large cap index funds as well as international diversified index funds.

(c) This category currently includes only U.S. corporate bonds and notes widely distributed among consumer discretionary, consumer staples, healthcare, information technology, energy, transportation, and financial services.

(d) This category includes fixed income investments in mutual funds which include government and corporate securities of both the U.S. and other countries. The non-U.S. corporate and sovereign investments add further diversity to the fixed income portion of the portfolio.

Defined Contribution Plan

The Company has a savings plan pursuant to the provisions of section 401(k) of the Internal Revenue Code. For employees hired before May 1, 2010, this plan provides for elective employee contributions of up to 15% of compensation and Company matching contributions of 100% of the participant's contribution, up to a maximum annual Company contribution of $2.8 for each employee.

Employees hired after May 1, 2010 are entitled to an enhanced feature of the plan. This feature provides for elective employee contributions of up to 15% of compensation and Company matching contributions of 100% of the participant’s contribution, up to a maximum of 4% of the employee’s compensation. In addition, the Company will make an annual contribution of $1.2 to each employee’s account whether or not they defer their own compensation. Employees eligible for this enhanced 401(k) plan feature are not eligible for the defined benefit plans. As of December 31, 2021, 57 employees were participating in the enhanced feature of the plan. The Company's contributions to both portions of the plan amounted to $340 in 2021 and $313 in 2020.

Deferred Compensation

The Company has non-qualified deferred compensation and supplemental retirement agreements with certain members of management. The future commitments under these arrangements are offset by corporate-owned life insurance policies. At December 31, 2021 and 2020, the present value of the future obligations included in “Accrued compensation and benefits” and “Deferred employee benefits” was approximately $4,762 and $4,757, respectively. The insurance policies included in “Other assets” had a total cash value of approximately $4,090 and $3,735 at December 31, 2021 and 2020, respectively. The Company’s net expenses under the plans amounted to $131 in 2021 and $585 in 2020.

Other
The Company has a retiree life insurance program which pays the beneficiary of a retiree $2 upon the retiree's death. At December 31, 2021 and 2020, the present value of the future obligations was approximately $152 and $165, respectively. There is no trust or insurance covering this future liability, instead the Company will pay these benefits out of its general assets. The Company's net (income) expenses under the plan amounted to $(9) in 2021 and $38 in 2020.

12. Stock-Based Compensation

On May 2, 2016, the Company's stockholders approved The York Water Company Long-Term Incentive Plan, or LTIP. The LTIP was adopted to provide the incentive of long-term stock-based awards to officers, directors, and key employees. The LTIP provides for the granting of nonqualified stock options, incentive stock options, stock appreciation rights, performance restricted stock grants and units, restricted stock grants and units, and unrestricted stock grants. A maximum of 100,000 shares of common stock may be issued under the LTIP over the ten-year life of the plan. The maximum number of shares of common stock subject to awards that may be granted to any participant in any one calendar year is 2,000. Shares of common stock issued under the LTIP may be treasury shares or authorized but unissued shares. The LTIP is administered by the Compensation Committee of the Board, or the full Board, provided that the full Board administers the LTIP as it relates to awards to non-employee directors of the Company. The Company filed a registration statement with the SEC on May 11, 2016 covering the offering of stock under the LTIP. The LTIP was effective on July 1, 2016.

On April 26, 2017, the Board awarded stock to non-employee directors effective May 1, 2017. This stock award vested immediately. On April 26, 2017, the Compensation Committee awarded restricted stock to officers and key employees effective May 1, 2017. This restricted stock award vested ratably over three years beginning May 1, 2017 and has been fully recognized as of December 31, 2020.

On May 7, 2018, the Board awarded stock to non-employee directors effective May 7, 2018. This stock award vested immediately. On May 7, 2018, the Compensation Committee awarded restricted stock to officers and key employees effective May 7, 2018. This restricted stock award vested ratably over three years beginning May 7, 2018 and has been fully recognized as of December 31, 2021.

On May 6, 2019, the Board awarded stock to non-employee directors effective May 6, 2019. This stock award vested immediately. On May 6, 2019, the Compensation Committee awarded restricted stock to officers and key employees effective May 6, 2019. This restricted stock award vests ratably over three years beginning May 6, 2019.

On August 19, 2019, the Board accelerated the vesting period for restricted stock granted in 2017, 2018, and 2019 to one retiring officer from three years to that officer's 2020 retirement date and has been fully recognized as of December 31, 2020.

On September 18, 2020, the Board awarded stock to non-employee directors effective September 18, 2020. This stock award vested immediately. On September 18, 2020, the Compensation Committee awarded restricted stock to officers and key employees effective September 18, 2020. This restricted stock award vests ratably over three years beginning September 18, 2020.

On May 3, 2021, the Board awarded stock to non-employee directors effective May 3, 2021. This stock award vested immediately. On May 3, 2021, the Compensation Committee awarded restricted stock to officers and key employees effective May 3, 2021. This restricted stock award vests ratably over three years beginning May 3, 2021.

The restricted stock awards provide the grantee with the rights of a shareholder, including the right to receive dividends and to vote such shares, but not the right to sell or otherwise transfer the shares during the restriction period. As a result, the awards are included in common shares outstanding on the balance sheet. Restricted stock awards result in compensation expense valued at the fair market value of the stock on the date of the grant and are amortized ratably over the restriction period.

The following table summarizes the stock grant amounts and activity for the years ended December 31, 2020 and 2021.

	Number of Shares	Grant Date Weighted Average Fair Value
Nonvested at beginning of the year 2020	7,342	$33.57
Granted	4,912	$44.07
Vested	(5,491)	$36.00
Forfeited	(81)	$33.61
Nonvested at end of the year 2020	6,682	$39.30
Granted	6,170	$51.40
Vested	(4,048)	$41.19
Forfeited	-	-
Nonvested at end of the year 2021	8,804	$46.91

For the years ended December 31, 2021 and 2020, the statement of income includes $213 and $154 of stock-based compensation and related recognized tax benefits of $62 and $45, respectively. The total fair value of the shares vested in the years ended December 31, 2021 and 2020 was $167 and $198, respectively. Total stock-based compensation related to nonvested awards not yet recognized is $413 at December 31, 2021 which will be recognized over the remaining three-year vesting period.

13. Taxes Other than Income Taxes

The following table provides the components of taxes other than income taxes:

	2021	2020
Regulatory Assessment	$332	$298
Property	377	353
Payroll, net of amounts capitalized	575	551
Other	4	3
Total taxes other than income taxes	$1,288	$1,205

14. Income Taxes

The provisions for income taxes consist of:

	2021	2020
Federal current	$710	$1,376
State current	246	554
Federal deferred	311	247
State deferred	(109)	(120)
Federal investment tax credit, net of current utilization	(38)	(39)
Total income taxes	$1,120	$2,018

A reconciliation of the statutory Federal tax provision to the total provision follows:

	2021	2020
Statutory Federal tax provision	$3,802	$3,909
State income taxes, net of Federal benefit	177	426
IRS TPR deduction	(2,620)	(1,979)
Tax-exempt interest	(34)	(29)
Amortization of investment tax credit	(38)	(39)
Cash value of life insurance	(17)	(110)
Amortization of excess accumulated deferred income taxes on accelerated depreciation	(182)	(182)
Other, net	32	22
Total income taxes	$1,120	$2,018

The Company filed for a change in accounting method under the IRS TPR effective in 2014. Under the change in accounting method, the Company is permitted to deduct the costs of certain asset improvements that were previously being capitalized and depreciated for tax purposes as an expense on its income tax return. The Company was permitted to make this deduction for prior years (the "catch-up deduction") and for each year going forward (the "ongoing deduction"). As a result of the catch-up deduction, income tax benefits of $3,887 were deferred as a regulatory liability. After receiving approval from the PPUC in its most recent rate order, the Company began to recognize the catch-up deduction, recorded as a regulatory liability, over 15 years beginning March 1, 2019. As a result, the Company recognized $259 in income taxes during each of the years ended December 31, 2021 and 2020. As a result of the ongoing deduction, the net income tax benefits of $2,361 and $1,720 for the years ended December 31, 2021 and 2020, respectively, reduced income tax expense and flowed through to net income. The ongoing deduction results in a reduction in the effective income tax rate, a net reduction in income tax expense, and a reduction in the amount of income taxes currently payable. Both the ongoing and catch-up deductions result in increases to deferred tax liabilities and regulatory assets representing the appropriate book and tax basis difference on capital additions.

The 2017 Tax Act, among other things, reduces the federal statutory corporate tax rate for tax years beginning in 2018 from 34% to 21%, treats customers' advances for construction and contributions in aid of construction as taxable income, eliminates certain deductions, and eliminates bonus depreciation on qualified water and wastewater property. This resulted in the remeasurement of the federal portion of the Company's deferred taxes as of December 31, 2017 to the 21% rate. The effect was recognized in income for the year ended December 31, 2017 for all deferred tax assets and liabilities except accelerated depreciation. Under normalization rules applicable to public utility property included in the 2017 Tax Act, the excess accumulated deferred income taxes on accelerated depreciation is recorded as a regulatory liability. The regulatory liability is a temporary difference, so a deferred tax asset is recorded including the gross-up of revenue necessary to return, in rates, the effect of the temporary difference. The Company is recognizing the excess accumulated deferred income taxes on accelerated depreciation, recorded as a regulatory liability, over the remaining useful life of the underlying assets. As a result, the Company recognized $182 in income taxes during each of the years ended December 31, 2021 and 2020. In November 2021, the 2021 Infrastructure Act repealed the tax treatment of customers' advances for construction and contributions in aid of construction made after December 31, 2020.

The tax effects of temporary differences between book and tax balances that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2021 and 2020 are summarized in the following table:

	2021	2020
Deferred tax assets:		
Reserve for doubtful accounts	$247	$189
Compensated absences	176	151
Deferred compensation	1,376	1,375
Excess accumulated deferred income taxes on accelerated depreciation	3,942	3,995
Deferred taxes associated with the gross-up of revenues necessary to return, in rates, the effect of temporary differences	2,348	2,456
Customers' advances for construction and contributions in aid of construction	1,545	1,815
Tax effect of pension regulatory liability	3,429	7
Other costs deducted for book, not for tax	74	64
Total deferred tax assets	13,137	10,052
Deferred tax liabilities:		
Accelerated depreciation	30,953	29,893
Basis differences from IRS TPR	16,912	13,671
Investment tax credit	329	356
Deferred taxes associated with the gross-up of revenues necessary to recover, in rates, the effect of temporary differences	9,553	8,088
Pensions	4,060	638
Unamortized debt issuance costs	469	500
Other costs deducted for tax, not for book	451	444
Total deferred tax liabilities	62,727	53,590
Net deferred tax liability	$49,590	$43,538

In accordance with accounting standards, the net deferred tax liability is classified as a noncurrent deferred income tax liability on the balance sheets.

No valuation allowance was required for deferred tax assets as of December 31, 2021 and 2020. In assessing the value of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon expected future taxable income and the current regulatory environment, management believes it is more likely than not that the Company will realize the benefits of these deductible differences.

The Company determined that there were no uncertain tax positions meeting the recognition and measurement test of the accounting standards recorded in the years that remain open for review by taxing authorities, which are 2018 through 2020 for both federal and state income tax returns. The Company has not yet filed tax returns for 2021. The Company believes that it has fully complied with any changes pursuant to the 2017 Tax Act and the 2021 Infrastructure Act and has not taken any new positions in its 2021 income tax provision, apart from compliance with the 2021 Infrastructure Act.

The Company's policy is to recognize interest and penalties related to income tax matters in other expenses. The Company paid no interest or penalties for the years ended December 31, 2021 and 2020.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's President and Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, the Company's President and Chief Executive Officer along with the Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report are effective such that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to the Company's management, including the President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

No change in the Company's internal control over financial reporting occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated the Company's internal control over financial reporting as of December 31, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013 framework)*. As a result of this assessment and based on the criteria in the COSO framework, management has concluded that, as of December 31, 2021, the Company's internal control over financial reporting was effective.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors of the Registrant

The information set forth under the caption "Election of Directors" of the 2022 Proxy Statement is incorporated herein by reference.

Executive Officers of the Registrant

The information set forth under the caption “Executive Officers of the Company” of the 2022 Proxy Statement is incorporated herein by reference.

Code of Ethics

The information set forth under the caption “Code of Ethics” of the 2022 Proxy Statement is incorporated herein by reference.

Audit Committee

The information set forth under the caption “Board Committees and Functions” of the 2022 Proxy Statement is incorporated herein by reference.

Item 11. Executive Compensation.

The information set forth under the caption "Compensation of Directors and Executive Officers" of the 2022 Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information for the equity compensation plan of the Company as of December 31, 2021:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders*	-	-	75,557
Equity compensation plans not approved by security holders	-	-	0

*Amounts are subject to adjustment to reflect stock dividends, stock splits, or other relevant changes in capitalization.

In addition, the Company has an employee stock purchase plan that allows employees to purchase stock at a 5% discount up to a maximum of 10% of their gross compensation. Under this plan, 54,021 authorized shares remain unissued as of December 31, 2021.

The information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" of the 2022 Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information set forth under the caption “Director Independence” of the 2022 Proxy Statement is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information set forth under the caption "Principal Accountant’s Fees and Services" of the 2022 Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Certain documents filed as part of the Form 10-K.

1. The financial statements set forth under Item 8 of this Form 10-K.

   Report of Independent Registered Public Accounting Firm
   Balance Sheets as of December 31, 2021 and 2020
   Statements of Income for Years Ended December 31, 2021 and 2020
   Statements of Common Stockholders' Equity for Years Ended December 31, 2021 and 2020
   Statements of Cash Flows for Years Ended December 31, 2021 and 2020
   Notes to Financial Statements

2. Financial Statement schedules.

Schedule Number	Schedule Description	Page Number
II	Valuation and Qualifying Accounts for the years ended December 31, 2021 and 2020	58

The report of the Company's independent registered public accounting firm with respect to the financial statement schedule appears on page 21.

All other financial statements and schedules not listed have been omitted since the required information is included in the financial statements or the notes thereto, or is not applicable or required.

3. Exhibits required by Item 601 of Regulation S-K.

Exhibit Number	Exhibit Description	Page Number of Incorporation By Reference
3	Amended and Restated Articles of Incorporation	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 3.1 to Form 8-K dated May 4, 2010.
3.1	Amended and Restated By-Laws	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 3.1 to Form 8-K dated January 26, 2012.

Exhibit Number	Exhibit Description	Page Number of Incorporation By Reference
4.1	Dividend Reinvestment and Direct Stock Purchase and Sale Plan	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission on Form S-3 dated November 8, 2019 (File No. 333-234587).
4.2	Description of The York Water Company Securities Registered Under Section 12 of the Securities Exchange Act of 1934, as amended.	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 4.4 to the Company's 2019 Form 10-K.
10.1	Articles of Agreement Between The York Water Company and Springettsbury Township relative to Extension of Water Mains dated April 17, 1985	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.1 to the Company's 1989 Form 10-K.
10.2	Note Agreement relative to the $6,500,000 10.05% Senior Notes, Series C dated August 15, 1990	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 4.6 to the Company's 1990 Form 10-K.
10.3	Note Agreement relative to the $7,500,000 8.43% Senior Notes, Series D dated December 15, 1992	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 4.7 to the Company's 1992 Form 10-K.
10.4	Variable Rate Loan Agreement between The York Water Company and Pennsylvania Economic Development Financing Authority, dated as of May 1, 2008 relative to the $12,000,000 Exempt Facilities Revenue Bonds	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.1 to the Company's May 12, 2008 Form 8-K.
10.5	Trust Indenture dated as of May 1, 2008 between Pennsylvania Economic Development Financing Authority and Manufacturers and Traders Trust Company, as trustee	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.5 to the Company's September 15, 2009 Form 8-K.
10.6	Reimbursement, Credit and Security Agreement, dated as of May 1, 2008 between The York Water Company and PNC Bank, National Association	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.3 to the Company’s May 12, 2008 Form 8-K.
10.7	Loan Agreement between The York Water Company and York County Industrial Development Authority, entered into July 23, 2015 and dated as of July 1, 2015 relative to the $10,000,000 4.00% - 4.50% Exempt Facilities Revenue Bonds.	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.1 to the Company's July 24, 2015 Form 8-K.

Exhibit Number	Exhibit Description	Page Number of Incorporation By Reference
10.8	Trust Indenture entered into July 23, 2015 and dated as of July 1, 2015 between York County Industrial Development Authority and Manufacturers and Traders Trust Company, as trustee	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.2 to the Company's July 24, 2015 Form 8-K.
10.9*	Cash Incentive Plan	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.1 to the Company's January 28, 2005 Form 8-K.
10.10*	Form of Amended and Restated Change in Control Agreement originally effective as of November 5, 2008 between The York Water Company and each of the individuals listed on a schedule attached thereto, which plans are identical in all material respects except as indicated in Schedule 10.10	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.10 to the Company's March 9, 2021 Form 10-K.
10.11*	Form of Amended and Restated Supplemental Retirement Plan originally effective as of January 1, 2009 between The York Water Company and each of the individuals listed on a schedule attached thereto, which plans are identical in all material respects except as indicated in Schedule 10.11	Filed herewith.
10.12*	Form of Amended and Restated Deferred Compensation Plan originally effective as of July 1, 2015 between The York Water Company and each of the individuals listed on a schedule attached thereto, which plans are identical in all material respects except as indicated in Schedule 10.18	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.18 to the Company's March 10, 2020 Form 10-K.
10.13*	Form of Amended and Restated Deferred Compensation Plan originally effective as of January 1, 2016 between The York Water Company and each of the individuals listed on a schedule attached thereto, which plans are identical in all material respects except as indicated in Schedule 10.13	Filed herewith.
10.14*	Long-Term Incentive Plan	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission on Form S-8 dated May 11, 2016 (File No. 333-211287).
10.15*	Employee Stock Purchase Plan	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.21 to the Company's March 7, 2017 Form 10-K.

Exhibit Number	Exhibit Description	Page Number of Incorporation By Reference
10.16	Note Agreement relative to the $20,000,000 4.54% Senior Notes, dated January 31, 2019	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.1 to the Company's February 5, 2019 Form 8-K.
10.17	Note Agreement relative to the $15,000,000 3.23% Senior Notes, dated October 1, 2019	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.1 to the Company's October 2, 2019 Form 8-K.
10.18	Loan Agreement between The York Water Company and Pennsylvania Economic Development Financing Authority entered into October 8, 2019 and dated as of September 1, 2019 relative to the $25,370,000 3.00% - 3.10% Exempt Facilities Revenue Refunding Bonds.	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.1 to the Company's October 9, 2019 Form 8-K.
10.19	Trust Indenture entered into October 8, 2019 and dated as of September 1, 2019 between Pennsylvania Economic Development Financing Authority and Manufacturers and Traders Trust Company, as trustee.	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.2 to the Company's October 9, 2019 Form 8-K.
10.20	Note Agreement relative to the $30,000,000 3.24% Senior Notes, dated September 30, 2020	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.1 to the Company's October 2, 2020 Form 8-K.
14	Company Code of Conduct	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 14 to the Company's August 6, 2014 Form 10-Q.
23	Consent of Baker Tilly US, LLP, Independent Registered Public Accounting Firm	Filed herewith.
31.1	Certification pursuant to Rule 13a-15(f) and 15d-15(f)	Filed herewith.
31.2	Certification pursuant to Rule 13a-15(f) and 15d-15(f)	Filed herewith.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith.

Exhibit Number	Exhibit Description	Page Number of Incorporation By Reference
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)	Filed herewith.
101.SCH	Inline XBRL Taxonomy Extension Schema	Filed herewith.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	Filed herewith.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	Filed herewith.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase	Filed herewith.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	Filed herewith.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)	Filed herewith.

* Management contracts and compensatory plans or arrangements required to be filed as exhibits pursuant to Item 15(a)(3) of this Annual Report.

Item 16. Form 10-K Summary.

None.

THE YORK WATER COMPANY

Schedule II Valuation and Qualifying Accounts
For the Two Years Ended December 31, 2021

Description	Balance at Beginning of Year	Additions: Charged to Cost and Expenses	Additions: Recoveries	Deductions	Balance at End of Year
FOR THE YEAR ENDED DECEMBER 31, 2021					
Reserve for uncollectible accounts	$655,000	$377,685	$52,527	$230,212	$855,000
FOR THE YEAR ENDED DECEMBER 31, 2020					
Reserve for uncollectible accounts	$305,000	$613,556	$54,653	$318,209	$655,000

The Deductions column above represents write-offs of accounts receivable during the applicable year.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE YORK WATER COMPANY
(Registrant)

Dated: March 7, 2022

By: /s/ Joseph T. Hand
Joseph T. Hand
President and CEO

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Joseph T. Hand
Joseph T. Hand
(Principal Executive Officer and Director)
Dated: March 7, 2022

By: /s/ Matthew E. Poff
Matthew E. Poff
(Principal Accounting Officer and Chief Financial Officer)
Dated: March 7, 2022

Directors:	Date:
By: /s/ Cynthia A. Dotzel Cynthia A. Dotzel	March 7, 2022
By: /s/ Michael W. Gang Michael W. Gang	March 7, 2022
By: /s/ Joseph T. Hand Joseph T. Hand	March 7, 2022
By: /s/ Jeffrey R. Hines Jeffrey R. Hines	March 7, 2022
By: /s/ George W. Hodges George W. Hodges	March 7, 2022
By: /s/ George Hay Kain, III George Hay Kain, III	March 7, 2022
By: /s/ Jody L. Keller Jody L. Keller	March 7, 2022
By: /s/ Erin C. McGlaughlin Erin C. McGlaughlin	March 7, 2022
By: /s/ Robert P. Newcomer Robert P. Newcomer	March 7, 2022
By: /s/ Steven R. Rasmussen Steven R. Rasmussen	March 7, 2022
By: /s/ Ernest J. Waters Ernest J. Waters	March 7, 2022

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-3 (File No. 333-234587 and 333-259809) and Forms S-8 (File Nos. 333-191497 and 333-211287) of The York Water Company of our report dated March 8, 2022, relating to the financial statements and the financial statement schedule, which appear in this Form 10-K.

/s/ Baker Tilly US, LLP
York, Pennsylvania
March 8, 2022

EXHIBIT 31.1
CERTIFICATIONS

I, Joseph T. Hand, certify that:

1. I have reviewed this report on Form 10-K of The York Water Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2022

By: /s/ Joseph T. Hand
Joseph T. Hand
President and CEO

EXHIBIT 31.2
CERTIFICATIONS

I, Matthew E. Poff, certify that:

1. I have reviewed this report on Form 10-K of The York Water Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2022

By: /s/ Matthew E. Poff
Matthew E. Poff
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of The York Water Company on Form 10-K for the period ending December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph T. Hand, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

THE YORK WATER COMPANY

By: /s/ Joseph T. Hand
Joseph T. Hand
Chief Executive Officer

Date: March 8, 2022

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of The York Water Company on Form 10-K for the period ending December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew E. Poff, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

THE YORK WATER COMPANY

By: /s/ Matthew E. Poff
Matthew E. Poff
Chief Financial Officer

Date: March 8, 2022

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2021

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________to____________

Commission file number 001-34245

THE YORK WATER COMPANY
(Exact name of registrant as specified in its charter)

"That good York water"
SINCE 1816

PENNSYLVANIA	23-1242500
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
130 EAST MARKET STREET, YORK, PENNSYLVANIA	17401
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (717) 845-3601

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
☒ YES ☐ NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
☒ YES ☐ NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Small Reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
☐ YES ☒ NO

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, NO PAR VALUE	YORW	The NASDAQ Global Select Market
(Title of Class)	(Trading Symbol)	(Name of Each Exchange on Which Registered)

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, No par value 13,073,062 Shares outstanding
as of May 4, 2021

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THE YORK WATER COMPANY

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Balance Sheets (Unaudited)
(In thousands of dollars, except per share amounts)

	Mar. 31, 2021	Dec. 31, 2020
ASSETS		
UTILITY PLANT, at original cost	$ 447,247	$ 438,670
Plant acquisition adjustments	(3,690)	(3,707)
Accumulated depreciation	(93,009)	(91,340)
Net utility plant	350,548	343,623
OTHER PHYSICAL PROPERTY, net of accumulated depreciation of $465 in 2021 and $458 in 2020	735	742
CURRENT ASSETS:		
Cash and cash equivalents	55	2
Restricted cash	-	5,000
Accounts receivable, net of reserves of $714 in 2021 and $655 in 2020	4,016	5,184
Unbilled revenues	2,876	2,847
Recoverable income taxes	582	721
Materials and supplies inventories, at cost	1,020	1,010
Prepaid expenses	1,888	1,526
Total current assets	10,437	16,290
OTHER LONG-TERM ASSETS:		
Prepaid pension cost	3,006	2,209
Note receivable	255	255
Deferred regulatory assets	40,318	39,893
Other assets	4,090	3,945
Total other long-term assets	47,669	46,302
Total Assets	**$ 409,389**	**$ 406,957**

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Balance Sheets (Unaudited)
(In thousands of dollars, except per share amounts)

	Mar. 31, 2021	Dec. 31, 2020
STOCKHOLDERS' EQUITY AND LIABILITIES		
COMMON STOCKHOLDERS' EQUITY:		
Common stock, no par value, authorized 46,500,000 shares, issued and outstanding 13,071,733 shares in 2021 and 13,060,817 shares in 2020	$ 86,436	$ 85,935
Retained earnings	58,574	57,317
Total common stockholders' equity	145,010	143,252
PREFERRED STOCK, authorized 500,000 shares, no shares issued	-	-
LONG-TERM DEBT	122,087	123,573
COMMITMENTS	-	-
CURRENT LIABILITIES:		
Accounts payable	6,623	6,540
Dividends payable	2,192	2,192
Accrued compensation and benefits	1,410	1,417
Accrued interest	1,068	959
Deferred regulatory liabilities	549	525
Other accrued expenses	514	360
Total current liabilities	12,356	11,993
DEFERRED CREDITS:		
Customers' advances for construction	10,828	10,326
Deferred income taxes	44,261	43,538
Deferred employee benefits	4,809	4,793
Deferred regulatory liabilities	26,369	25,444
Other deferred credits	2,209	2,731
Total deferred credits	88,476	86,832
Contributions in aid of construction	41,460	41,307
Total Stockholders' Equity and Liabilities	**$ 409,389**	**$ 406,957**

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Income (Unaudited)
(In thousands of dollars, except per share amounts)

	Three Months Ended March 31	
	2021	**2020**
OPERATING REVENUES:	$ 13,081	$ 12,877
OPERATING EXPENSES:		
Operation and maintenance	2,806	2,663
Administrative and general	2,411	2,244
Depreciation and amortization	2,174	2,024
Taxes other than income taxes	336	330
	7,727	7,261
Operating income	5,354	5,616
OTHER INCOME (EXPENSES):		
Interest on debt	(1,214)	(1,195)
Allowance for funds used during construction	262	101
Other pension costs	(304)	(341)
Gain on life insurance	-	515
Other income (expenses), net	(101)	(125)
	(1,357)	(1,045)
Income before income taxes	3,997	4,571
Income taxes	292	569
Net Income	**$ 3,705**	**$ 4,002**
Basic Earnings Per Share	**$ 0.28**	**$ 0.31**
Diluted Earnings Per Share	**$ 0.28**	**$ 0.31**

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Common Stockholders' Equity (Unaudited)
(In thousands of dollars, except per share amounts)
For the Periods Ended March 31, 2021 and 2020

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total
Balance, December 31, 2020	13,060,817	$ 85,935	$ 57,317	$ 143,252
Net income	-	-	3,705	3,705
Cash dividends declared, $0.1874 per share	-	-	(2,448)	(2,448)
Issuance of common stock under dividend reinvestment, direct stock and employee stock purchase plans	10,916	473	-	473
Stock-based compensation	-	28	-	28
Balance, March 31, 2021	13,071,733	$ 86,436	$ 58,574	$ 145,010

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total
Balance, December 31, 2019	13,014,898	$ 83,976	$ 50,209	$ 134,185
Net income	-	-	4,002	4,002
Cash dividends declared, $0.1802 per share	-	-	(2,346)	(2,346)
Issuance of common stock under dividend reinvestment, direct stock and employee stock purchase plans	9,289	411	-	411
Stock-based compensation	-	37	-	37
Balance, March 31, 2020	13,024,187	$ 84,424	$ 51,865	$ 136,289

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Cash Flows (Unaudited)
(In thousands of dollars, except per share amounts)

	Three Months Ended March 31	
	2021	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 3,705	$ 4,002
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on life insurance	-	(515)
Depreciation and amortization	2,174	2,024
Stock-based compensation	28	37
Decrease in deferred income taxes	(108)	(14)
Other	29	100
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable and unbilled revenues	1,038	(457)
Decrease in recoverable income taxes	139	533
Increase in materials and supplies, prepaid expenses, prepaid pension cost, regulatory and other assets	(2,201)	(1,746)
Increase in accounts payable, accrued compensation and benefits, accrued expenses, deferred employee benefits, regulatory liabilities, and other deferred credits	1,684	570
Increase in accrued interest	109	208
Net cash provided by operating activities	6,597	4,742
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility plant additions, including debt portion of allowance for funds used during construction of $146 in 2021 and $57 in 2020	(7,431)	(3,858)
Net cash used in investing activities	(7,431)	(3,858)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Customers' advances for construction and contributions in aid of construction	792	1,419
Repayments of customer advances	(137)	(58)
Proceeds of long-term debt issues	11,648	6,784
Repayments of long-term debt	(13,178)	(6,478)
Changes in cash overdraft position	(1,263)	(621)
Issuance of common stock	473	411
Dividends paid	(2,448)	(2,341)
Net cash used in financing activities	(4,113)	(884)
Net change in cash, cash equivalents, and restricted cash	(4,947)	-
Cash, cash equivalents, and restricted cash at beginning of period	5,002	2
Cash and cash equivalents at end of period	$ 55	$ 2
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	$ 912	$ 884
Income taxes	-	-

Supplemental disclosure of non-cash investing and financing activities:
Accounts payable includes $3,831 in 2021 and $2,010 in 2020 for the construction of utility plant.

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Notes to Interim Financial Statements
(In thousands of dollars, except per share amounts)

1. Basis of Presentation

The interim financial statements are unaudited but, in the opinion of management, reflect all adjustments, consisting of only normal recurring accruals, necessary for a fair presentation of results for such periods. Because the financial statements cover an interim period, they do not include all disclosures and notes normally provided in annual financial statements, and therefore, should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Operating results for the three months ended March 31, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. Additionally, based on the duration and severity of the novel coronavirus ("COVID-19") pandemic, the Company is uncertain of the ultimate impact it could have on the business.

2. Accounts Receivable and Contract Assets

Accounts receivable and contract assets are summarized in the following table:

	As of Mar. 31, 2021	As of Dec. 31, 2020	Change
Accounts receivable – customers	$4,416	$5,633	$(1,217)
Other receivables	314	206	108
	4,730	5,839	(1,109)
Less: allowance for doubtful accounts	(714)	(655)	(59)
Accounts receivable, net	$4,016	$5,184	$(1,168)
Unbilled revenue	$2,876	$2,847	$29

Differences in timing of revenue recognition, billings, and cash collections result in receivables and contract assets. Generally, billing occurs subsequent to revenue recognition, resulting in a contract asset reported as unbilled revenue on the balance sheet. The Company does not receive advances or deposits from customers before revenue is recognized so no contract liabilities are reported. Accounts receivable are recorded when the right to consideration becomes unconditional and are presented separately on the balance sheet. The changes in accounts receivable – customers and in unbilled revenue were primarily due to normal timing difference between performance and the customer's payments.

3. Common Stock and Earnings Per Share

Net income of $3,705 and $4,002 for the three months ended March 31, 2021 and 2020, respectively, is used to calculate both basic and diluted earnings per share. Basic earnings per share is based on the weighted average number of common shares outstanding. Diluted earnings per share is based on the weighted average number of common shares outstanding plus potentially dilutive shares. The dilutive effect of employee stock-based compensation is included in the computation of diluted earnings per share and is calculated using the treasury stock method and expected proceeds upon exercise or issuance of the stock-based compensation.

The following table summarizes the shares used in computing basic and diluted earnings per share.

	Three Months Ended March 31	
	2021	**2020**
Weighted average common shares, basic	13,055,871	13,009,596
Effect of dilutive securities:		
Employee stock-based compensation	2,690	2,263
Weighted average common shares, diluted	13,058,561	13,011,859

On March 11, 2013, the Board of Directors, or the Board, authorized a share repurchase program granting the Company authority to repurchase up to 1,200,000 shares of the Company's common stock from time to time. The stock repurchase program has no specific end date and the Company may repurchase shares in the open market or through privately negotiated transactions. The Company may suspend or discontinue the repurchase program at any time. No shares were repurchased during the three months ended March 31, 2021 and 2020. As of March 31, 2021, 618,004 shares remain authorized for repurchase.

4. Debt

For the three months ended March 31, 2021, the Company did not enter into any new long-term debt arrangements or modify its outstanding long-term debt, which is summarized in the table below.

	As of Mar. 31, 2021	As of Dec. 31. 2020
8.43% Senior Notes, Series D, due 2022	$7,500	$7,500
Variable Rate Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series 2008A, due 2029	12,000	12,000
3.00% Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series A of 2019, due 2036	10,500	10,500
3.10% Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series B of 2019, due 2038	14,870	14,870
3.23% Senior Notes, due 2040	15,000	15,000
4.00% - 4.50% York County Industrial Development Authority Exempt Facilities Revenue Bonds, Series 2015, due 2029 - 2045	10,000	10,000
4.54% Senior Notes, due 2049	20,000	20,000
3.24% Senior Notes, due 2050	30,000	30,000
Committed Line of Credit, due 2022	5,170	6,700
Total long-term debt	125,040	126,570
Less discount on issuance of long-term debt	(178)	(181)
Less unamortized debt issuance costs	(2,775)	(2,816)
Long-term portion	$122,087	$123,573

5. Interest Rate Swap Agreement

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. The Company utilizes an interest rate swap agreement to effectively convert the Company's $12,000 variable-rate debt issue to a fixed rate. Interest rate swaps are contracts in which a series of interest rate cash flows are exchanged over a prescribed period. The notional amount on which the interest payments are based ($12,000) is not exchanged. The interest rate swap provides that the Company pays the counterparty a fixed interest rate of 3.16% on the notional amount of $12,000. In exchange, the counterparty pays the Company a variable interest rate based on 59% of the U.S. Dollar one-month LIBOR rate on the notional amount. The intent is for the variable rate received from the swap counterparty to approximate the variable rate the Company pays to bondholders on its variable rate debt issue, resulting in a fixed rate being paid to the swap counterparty and reducing the Company's interest rate risk. The Company’s net payment rate on the swap was 2.95% and 2.28% during the three months ended March 31, 2021 and 2020, respectively.

The interest rate swap agreement is classified as a financial derivative used for non-trading activities. The accounting standards regarding accounting for derivatives and hedging activities require companies to recognize all derivative instruments as either assets or liabilities at fair value on the balance sheet. In accordance with the standards, the interest rate swap is recorded on the balance sheet in other deferred credits at fair value (see Note 6).

The Company uses regulatory accounting treatment rather than hedge accounting to defer the unrealized gains and losses on its interest rate swap. These unrealized gains and losses are recorded as a regulatory asset. Based on current ratemaking treatment, the Company expects the unrealized gains and losses to be recognized in rates as a component of interest expense as the swap settlements occur. Swap settlements are recorded in the income statement with the hedged item as interest expense. Swap settlements resulted in the reclassification from regulatory assets to interest expense of $91 and $69 for the three months ended March 31, 2021 and 2020, respectively. The overall swap result was a (gain) loss of $(431) and $712 for the three months ended March 31, 2021 and 2020, respectively. The Company expects to reclassify $369 from regulatory assets to interest expense as a result of swap settlements over the next 12 months.

The interest rate swap agreement contains provisions that require the Company to maintain a credit rating of at least BBB- with Standard & Poor's. If the Company's rating were to fall below this rating, it would be in violation of these provisions, and the counterparty to the derivative could request immediate payment if the derivative was in a liability position. On October 21, 2020, Standard & Poor's affirmed the Company's credit rating at A-, with a stable outlook and adequate liquidity. The Company's interest rate swap was in a liability position as of March 31, 2021. If a violation due to credit rating, or some other default provision, were triggered on March 31, 2021, the Company would have been required to pay the counterparty approximately $2,237.

The interest rate swap will expire on October 1, 2029. Other than the interest rate swap, the Company has no other derivative instruments.

6. Fair Value of Financial Instruments

The accounting standards regarding fair value measurements establish a fair value hierarchy which indicates the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs include quoted prices for identical instruments and are the most observable. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, commodity rates and yield curves. Level 3 inputs are not observable in the market and include management’s own judgments about the assumptions market participants would use in pricing the asset or liability.

The Company has recorded its interest rate swap liability at fair value in accordance with the standards. The liability is recorded under the caption “Other deferred credits” on the balance sheet. The table below illustrates the fair value of the interest rate swap as of the end of the reporting period.

Description	March 31, 2021	Fair Value Measurements at Reporting Date Using Significant Other Observable Inputs (Level 2)
Interest Rate Swap	$2,209	$2,209

Fair values are measured as the present value of all expected future cash flows based on the LIBOR-based swap yield curve as of the date of the valuation. These inputs to this calculation are deemed to be Level 2 inputs. The balance sheet carrying value reflects the Company's credit quality as of March 31, 2021. The rate used in discounting all prospective cash flows anticipated to be made under this swap reflects a representation of the yield to maturity for 30-year debt on utilities rated A- as of March 31, 2021. The use of the Company's credit rating resulted in a reduction in the fair value of the swap liability of $28 as of March 31, 2021. The fair value of the swap reflecting the Company's credit quality as of December 31, 2020 is shown in the table below.

Description	December 31, 2020	Fair Value Measurements at Reporting Date Using Significant Other Observable Inputs (Level 2)
Interest Rate Swap	$2,731	$2,731

The carrying amount of current assets and liabilities that are considered financial instruments approximates fair value as of the dates presented. The Company's total long-term debt, with a carrying value of $125,040 at March 31, 2021, and $126,570 at December 31, 2020, had an estimated fair value of approximately $136,000 and $151,000, respectively. The estimated fair value of debt was calculated using a discounted cash flow technique that incorporates a market interest yield curve with adjustments for duration and risk profile. These inputs to this calculation are deemed to be Level 2 inputs. The Company recognized its credit rating in determining the yield curve and did not factor in third party credit enhancements including the letter of credit on the 2008 Pennsylvania Economic Development Financing Authority Series A issue.

Customers' advances for construction and note receivable had carrying values at March 31, 2021 of $10,828 and $255, respectively. At December 31, 2020, customers' advances for construction and note receivable had carrying values of $10,326 and $255, respectively. The relative fair values of these amounts cannot be accurately estimated since the timing of future payment streams is dependent upon several factors, including new customer connections, customer consumption levels and future rate increases.

7. Commitments

The Company entered into a consent order agreement with the Pennsylvania Department of Environmental Protection in December 2016 after the Company determined it exceeded the action level for lead as established by the Lead and Copper Rule, or LCR, issued by the U.S. Environmental Protection Agency. The Company did not have an exceedance in any subsequent compliance test. Under the agreement, the Company successfully completed its commitment to exceed the LCR replacement schedule by replacing all the known company-owned lead service lines within four years from the agreement. Any additional company-owned lead service lines that are discovered will be replaced and included in utility plant but are not expected to have a material impact on the financial position of the Company.

The Company was granted approval by the Pennsylvania Public Utility Commission, or PPUC, to modify its tariff to include the cost of the annual replacement of up to 400 lead customer-owned service lines over nine years from the agreement. The tariff modification allows the Company to replace customer-owned service lines at its own initial cost. The Company will record the costs as a regulatory asset to be recovered in future base rates to customers, over a four-year period. The cost for the customer-owned lead service line replacements was approximately $1,222 and $1,204 through March 31, 2021 and December 31, 2020, respectively, and is included as a regulatory asset. Based on its experience, the Company estimates that lead customer-owned service lines replacements will cost $1,500. This estimate is subject to adjustment as more facts become available.

8. Revenue

The following table shows the Company's revenues disaggregated by service and customer type.

	Three Months Ended March 31	
	2021	**2020**
Water utility service:		
Residential	$8,145	$8,077
Commercial and industrial	3,310	3,341
Fire protection	806	801
Wastewater utility service:		
Residential	471	410
Commercial and industrial	79	76
Billing and revenue collection services	119	15
Collection services	-	14
Other revenue	10	5
Total Revenue from Contracts with Customers	12,940	12,739
Rents from regulated property	141	138
Total Operating Revenue	$13,081	$12,877

Utility Service

The Company provides utility service as a distinct and single performance obligation to each of its water and wastewater customers. The transaction price is detailed in the tariff pursuant to an order by the PPUC and made publicly available. There is no variable consideration and no free service, special rates, or subnormal charges to any customer. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied over time through the continuous provision of utility service through a stand-ready obligation to perform and the transfer of water or the collection of wastewater through a series of distinct transactions that are identical in nature and have the same pattern of transfer to the customer. The Company uses an output method to recognize the utility service revenue over time. The stand-ready obligation is recognized through the passage of time in the form of a fixed charge and the transfer of water or the collection of wastewater is recognized at a per unit rate based on the actual or estimated flow through the meter. Each customer is invoiced every month and the invoice is due within twenty days. The utility service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period. A contract asset for unbilled revenue is recognized for the passage of time and the actual or estimated usage from the latest meter reading to the end of the accounting period. The methodology is standardized and consistently applied to reduce bias and the need for judgment.

Billing and Revenue Collection Service

The Company provides billing and revenue collection service as distinct performance obligations to three municipalities within the service territory of the Company. The municipalities provide wastewater service to their residents and the Company acts as the billing and revenue collection agent for the municipalities. The transaction price is a fixed amount per bill prepared as established in the contract. There is no variable consideration. Due to the fact that both the billing performance obligation and the revenue collection performance obligation are materially complete by the end of the reporting period, the Company does not allocate the transaction price between the two performance obligations. The performance obligations are satisfied at a point in time when the bills are sent as the municipalities receive all the benefits and bears all of the risk of non-collection at that time. Each municipality is invoiced when the bills are complete and the invoice is due within thirty days. The billing and revenue collection service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period.

Collection Service
The Company provides collection service as a distinct and single performance obligation to several municipalities within the service territory of the Company. The municipalities provide wastewater service to their residents. If those residents are delinquent in paying for their wastewater service, the municipalities request that the Company post for and shut off the supply of water to the premises of those residents. When the resident is no longer delinquent, the Company will restore water service to the premises. The transaction price for each posting, each shut off, and each restoration is a fixed amount as established in the contract. There is no variable consideration. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied at a point in time when the posting, shut off, or restoration is completed as the municipalities receive all the benefits in the form of payment or no longer providing wastewater service. Each municipality is invoiced periodically for the posting, shut offs, and restorations that have been completed since the last billing and the invoice is due within thirty days. The collection service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period. A contract asset for unbilled revenue is recognized for postings, shut offs, and restorations that have been completed from the last billing to the end of the accounting period.

Service Line Protection Plan
The Company provides service line protection as a distinct and single performance obligation to current water customers that choose to participate. The transaction price is detailed in the plan's terms and conditions and made publicly available. There is no variable consideration. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied over time through the continuous provision of service line protection through a stand-ready obligation to perform. The Company uses an output method to recognize the service line protection revenue over time. The stand-ready obligation is recognized through the passage of time. A customer has a choice to prepay for an entire year or to pay in advance each month. The service line protection plan has no returns or extended warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no material performance obligations remain unsatisfied as of the end of the reporting period.

9. Rate Matters

From time to time, the Company files applications for rate increases with the PPUC and is granted rate relief as a result of such requests. Most recently, the PPUC authorized an increase in rates effective March 1, 2019.

The PPUC permits water utilities to collect a distribution system improvement charge, or DSIC. The DSIC allows the Company to add a charge to customers' bills for qualified replacement costs of certain infrastructure without submitting a rate filing. This surcharge mechanism typically adjusts periodically based on additional qualified capital expenditures completed or anticipated in a future period. The DSIC is capped at 5% of base rates and is reset to zero when new base rates that reflect the costs of those additions become effective or when a utility's earnings exceed a regulatory benchmark. The DSIC reset to zero when the new base rates took effect March 1, 2019. Since the reset, the Company's earnings have exceeded the regulatory benchmark, preventing the collection of a DSIC. There were no DSIC revenues for the three months ended March 31, 2021 and 2020.

10. Pensions

Components of Net Periodic Pension Cost

	Three Months Ended March 31	
	2021	2020
Service cost	$271	$234
Interest cost	302	364
Expected return on plan assets	(913)	(799)
Amortization of actuarial loss	121	92
Amortization of prior service cost	(3)	(3)
Rate-regulated adjustment	797	687
Net periodic pension expense	$575	$575

Pension service cost is recorded in operating expenses. All other components of net periodic pension cost are recorded as other pension costs in other income (expenses).

Employer Contributions

The Company previously disclosed in its financial statements for the year ended December 31, 2020 that it expected to contribute $2,300 to its pension plans in 2021. For the three months ended March 31, 2021, contributions of $575 have been made. The Company expects to contribute the remaining $1,725 during the final three quarters of 2021.

11. Stock-Based Compensation

On May 2, 2016, the Company's stockholders approved The York Water Company Long-Term Incentive Plan, or LTIP. The LTIP was adopted to provide the incentive of long-term stock-based awards to officers, directors, and key employees. The LTIP provides for the granting of nonqualified stock options, incentive stock options, stock appreciation rights, performance restricted stock grants and units, restricted stock grants and units, and unrestricted stock grants. A maximum of 100,000 shares of common stock may be issued under the LTIP over the ten-year life of the plan. The maximum number of shares of common stock subject to awards that may be granted to any participant in any one calendar year is 2,000. Shares of common stock issued under the LTIP may be treasury shares or authorized but unissued shares. The LTIP will be administered by the Compensation Committee of the Board, or the full Board, provided that the full Board will administer the LTIP as it relates to awards to non-employee directors of the Company. The Company filed a registration statement with the Securities and Exchange Commission on May 11, 2016 covering the offering of stock under the LTIP. The LTIP was effective on July 1, 2016.

On August 19, 2019, the Board accelerated the vesting period for restricted stock granted in 2017, 2018, and 2019 to one retiring officer from three years to that officer's 2020 retirement date, which had been fully recognized as of March 31, 2020.

The restricted stock awards provide the grantee with the rights of a shareholder, including the right to receive dividends and to vote such shares, but not the right to sell or otherwise transfer the shares during the restriction period. As a result, the awards are included in common shares outstanding on the balance sheet. Restricted stock awards result in compensation expense valued at the fair market value of the stock on the date of the grant and are amortized ratably over the restriction period.

No long-term stock-based awards were granted under the LTIP during the three months ended March 31, 2021. No previously issued restricted stock awards vested or were forfeited during the three months ended March 31, 2021. For the three months ended March 31, 2021 and 2020, the statement of income includes $28 and $37 of stock-based compensation, respectively, and related recognized tax benefits of $8 and $11, respectively. Total stock-based compensation related to nonvested awards not yet recognized is $263 which will be recognized over the remaining three year vesting period.

12. Income Taxes

The Company filed for a change in accounting method under the Internal Revenue Service tangible property regulations, or TPR, effective in 2014. Under the change in accounting method, the Company is permitted to deduct the costs of certain asset improvements that were previously being capitalized and depreciated for tax purposes as an expense on its income tax return. This ongoing deduction results in a reduction in the effective income tax rate, a net reduction in income tax expense, and a reduction in the amount of income taxes currently payable. It also results in increases to deferred tax liabilities and regulatory assets representing the appropriate book and tax basis difference on capital additions.

The Company's effective tax rate was 7.3% and 12.4% for the three months ended March 31, 2021 and 2020, respectively. The lower effective tax rate for the three months ended March 31, 2021 is primarily due to higher deductions from the TPR. The effective tax rate will vary depending on the level of eligible asset improvements expensed for tax purposes under TPR each period.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (In thousands of dollars, except per share amounts)

Forward-looking Statements

Certain statements contained in this report on Form 10-Q constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. Words such as "may," "should," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify forward-looking statements. These forward-looking statements include certain information relating to the Company's business strategy; statements including, but not limited to:

- the amount and timing of rate changes and other regulatory matters including the recovery of costs recorded as regulatory assets;
- expected profitability and results of operations;
- trends;
- goals, priorities and plans for, and cost of, growth and expansion;
- strategic initiatives;
- availability of water supply;
- water usage by customers; and
- the ability to pay dividends on common stock and the rate of those dividends.

The forward-looking statements in this report reflect what the Company currently anticipates will happen. What actually happens could differ materially from what it currently anticipates will happen. The Company does not intend to make a public announcement when forward-looking statements in this report are no longer accurate, whether as a result of new information, what actually happens in the future or for any other reason. Important matters that may affect what will actually happen include, but are not limited to:

- changes in weather, including drought conditions or extended periods of heavy rainfall;
- natural disasters, including pandemics such as the current outbreak of the novel strain of coronavirus known as "COVID-19" and the effectiveness of the Company's pandemic plans;
- levels of rate relief granted;
- the level of commercial and industrial business activity within the Company's service territory;
- construction of new housing within the Company's service territory and increases in population;
- changes in government policies or regulations, including the tax code;
- the ability to obtain permits for expansion projects;
- material changes in demand from customers, including the impact of conservation efforts which may reduce the demand of customers for water;
- changes in economic and business conditions, including interest rates;
- loss of customers;
- changes in, or unanticipated, capital requirements;
- the impact of acquisitions;
- changes in accounting pronouncements;
- changes in the Company's credit rating or the market price of its common stock; and
- the ability to obtain financing.

General Information

The primary business of the Company is to impound, purify to meet or exceed safe drinking water standards and distribute water. The Company also owns and operates two wastewater collection systems and five wastewater collection and treatment systems. The Company operates within its franchised water and wastewater territory, which covers portions of 51 municipalities within three counties in south-central Pennsylvania. The Company is regulated by the Pennsylvania Public Utility Commission, or PPUC, for both water and wastewater in the areas of billing, payment procedures, dispute processing, terminations, service territory, debt and equity financing and rate setting. The Company must obtain PPUC approval before changing any practices associated with the aforementioned areas.

Water service is supplied through the Company's own distribution system. The Company obtains the bulk of its water supply from both the South Branch and East Branch of the Codorus Creek, which together have an average daily flow of 73.0 million gallons. This combined watershed area is approximately 117 square miles. The Company has two reservoirs, Lake Williams and Lake Redman, which together hold up to approximately 2.2 billion gallons of water. The Company supplements its reservoirs with a 15-mile pipeline from the Susquehanna River to Lake Redman which provides access to an additional supply of 12.0 million gallons of untreated water per day. The Company also owns nine wells which are capable of providing a safe yield of approximately 597,000 gallons per day to supply water to the customers of its satellite systems in Adams County. As of March 31, 2021, the Company's average daily availability was 35.6 million gallons, and average daily consumption was approximately 19.7 million gallons. The Company's service territory had an estimated population of 202,000 as of December 31, 2020. Industry within the Company's service territory is diversified, manufacturing such items as fixtures and furniture, electrical machinery, food products, paper, ordnance units, textile products, air conditioning systems, laundry detergent, barbells, and motorcycles.

The Company's water business is somewhat dependent on weather conditions, particularly the amount and timing of rainfall. Revenues are particularly vulnerable to weather conditions in the summer months. Prolonged periods of hot and dry weather generally cause increased water usage for watering lawns, washing cars, and keeping golf courses and sports fields irrigated. Conversely, prolonged periods of dry weather could lead to drought restrictions from governmental authorities. Despite the Company's adequate water supply, customers may be required to cut back water usage under such drought restrictions which would negatively impact revenues. The Company has addressed some of this vulnerability by instituting minimum customer charges which are intended to cover fixed costs of operations under all likely weather conditions.

The Company's business does not require large amounts of working capital and is not dependent on any single customer or a very few customers for a material portion of its business. Increases in revenues are generally dependent on the Company's ability to obtain rate increases from the PPUC in a timely manner and in adequate amounts and to increase volumes of water sold through increased consumption and increases in the number of customers served. The Company continuously looks for water and wastewater acquisition and expansion opportunities both within and outside its current service territory as well as additional opportunities to enter into bulk water contracts with municipalities and other entities to supply water.

The Company has agreements with several municipalities to provide sewer billing and collection services. The Company also has a service line protection program on a targeted basis in order to further diversify its business. Under this optional program, customers pay a fixed monthly fee, and the Company will repair or replace damaged customer service lines, as needed, subject to an annual maximum dollar amount. The Company continues to review and consider opportunities to expand both initiatives.

Impact of COVID-19

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") was reported. On March 6, 2020, Governor Tom Wolf signed an emergency disaster declaration for the Commonwealth of Pennsylvania which was extended for an additional ninety days four times, most recently on February 19, 2021. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. Developments in this area continue daily at the local, state, and national levels. The Company is taking steps, consistent with directions from local, state, and federal authorities, to mitigate known risks with the health and safety of its employees and customers as its first priority.

The Company is an essential, life-sustaining business and has continued normal operations. The Company continues to monitor guidance from state and local authorities and has made some modifications to its operations in order to comply with Pennsylvania's guidelines. This includes implementing enhanced safety procedures in its lobby and when entering customers' homes and businesses as well as implementing social distancing practices such as halting unnecessary gatherings and travel. These restrictions are not expected to materially impede the Company's ability to complete its planned capital expenditures or acquisitions. The Company has not experienced any supply chain disruptions and continues to maintain relationships with its vendors to identify issues as early as possible. The Company believes it has sufficient liquidity and access to the capital markets if needed.

As a water and wastewater utility, it is the Company's mission to provide uninterrupted water and wastewater service. Due to the effect of COVID-19 on the general public, in compliance with an order from the PPUC, the Company paused shut-off procedures for delinquent customers on March 13, 2020. In addition, the Company stopped billing late payment charges. These customers were billed at normal tariff rates for the water they used, and wastewater service provided. As allowed by the PPUC, the Company resumed normal shut-off procedures and began billing late payment charges for most customers in January 2021. Remaining PPUC required customer protections specific to the COVID-19 pandemic fully expired on April 1, 2021 with the exception of the requirement to offer extended term payment agreements to certain "protected customers" as defined by PPUC order. Certain customers are eligible to receive utility assistance made available through federal relief funds through organizations not related to the Company.

The Company may continue to experience changes in demand as the response to this pandemic continues. The duration and magnitude of these changes is currently unknown and difficult to predict.

To date, there has been no material impact on the Company's workforce, operations, financial performance, liquidity, or supply chain as a result of COVID-19. However, the ultimate duration and severity of the pandemic or its effects on the economy, the capital and credit markets, or the Company's workforce, customers, and suppliers, as well as governmental and regulatory responses, are uncertain.

Results of Operations

Three Months Ended March 31, 2021 Compared
With Three Months Ended March 31, 2020

Net income for the first quarter of 2021 was $3,705, a decrease of $297, or 7.4%, from net income of $4,002 for the same period of 2020. The primary contributing factors to the decrease were a prior year gain on life insurance, not repeated this year, and higher expenses, which were partially offset by lower income taxes and higher operating revenues.

Operating revenues for the first quarter of 2021 increased $204, or 1.6%, from $12,877 for the three months ended March 31, 2020 to $13,081 for the corresponding 2021 period. The increase was primarily due to growth in the customer base. The average number of water customers served in 2021 increased as compared to 2020 by 824 customers, from 68,585 to 69,409 customers. The average number of wastewater customers served in 2021 increased as compared to 2020 by 345 customers, from 2,950 to 3,295 customers, due to acquisitions during 2020. Total per capita consumption for the first quarter of 2021 was approximately 0.1% lower than the same period of last year, but residential demand increased. Additional billing and revenue collection services also added to revenues. For the remainder of the year, the Company expects revenues to show a modest increase due to higher summer demand and an increase in the number of water and wastewater customers from acquisitions and growth within the Company's service territory. The duration and severity of the COVID-19 pandemic including any resulting economic slowdown or changes in consumption patterns could impact results. Other regulatory actions and weather patterns could also impact results.

Operating expenses for the first quarter of 2021 increased $466, or 6.4%, from $7,261 for the first quarter of 2020 to $7,727 for the corresponding 2021 period. The increase was primarily due to higher expenses of approximately $150 for depreciation, $95 for wastewater treatment, $79 for water treatment and distribution system maintenance, and $67 for insurance. Other expenses increased by a net of $114. The increased expenses were partially offset by reduced expenses of $39 for purchased power. For the remainder of the year, the Company expects depreciation expense to continue to rise due to additional investment in utility plant, and other expenses to increase at a moderate rate as costs to treat water and wastewater, and to maintain and extend the distribution system, continue to rise.

Interest on debt for the first quarter of 2021 increased $19, or 1.6%, from $1,195 for the first quarter of 2020 to $1,214 for the corresponding 2021 period. The increase was primarily due to an increase in long-term debt outstanding. The average debt outstanding under the lines of credit was $6,821 for the first quarter of 2021 and $8,459 for the first quarter of 2020. The weighted average interest rate on the lines of credit was 1.30% for the quarter ended March 31, 2021 and 2.84% for the quarter ended March 31, 2020. Interest expense for the remainder of the year is expected to slightly higher due to continued borrowings under the line of credit.

Allowance for funds used during construction increased $161, from $101 in the first quarter of 2020 to $262 in the corresponding 2021 period due to a higher volume of eligible construction. Allowance for funds used during construction for the remainder of the year is expected to increase based on a projected increase in the amount of eligible construction.

A non-recurring gain on life insurance of $515 was recorded in the first quarter of 2020 as a result of a death benefit from a life insurance policy. No similar gains are anticipated at this time.

Other income (expenses), net for the first quarter of 2021 reflects decreased expenses of $24 as compared to the same period of 2020. Higher earnings on life insurance policies were the primary reason for the decrease. For the remainder of the year, other income (expenses) will be largely determined by the change in market returns and discount rates for retirement programs and related assets.

Income taxes for the first quarter of 2021 decreased $277, or 48.7%, compared to the same period of 2020 primarily due to higher deductions from the Internal Revenue Service, or IRS, tangible property regulations, or TPR. The Company's effective tax rate was 7.3% for the first quarter of 2021 and 12.4% for the first quarter of 2020. The Company's effective tax rate for the remainder of 2021 will largely be determined by the level of eligible asset improvements expensed for tax purposes under TPR each period.

Rate Matters

See Note 9 to the financial statements included herein for a discussion of rate matters.

The Company does not expect to file a rate increase request in 2021.

Acquisitions and Growth

On October 8, 2013, the Company signed an agreement to purchase the wastewater collection and treatment assets of SYC WWTP, L.P. in Shrewsbury and Springfield Townships, York County, Pennsylvania. On July 1, 2020, the Company signed an agreement to purchase the Albright Trailer Park water assets and wastewater collection assets of R.T. Barclay, Inc. in Springfield Township, York County, Pennsylvania. Completion of the acquisitions is contingent upon receiving approval from all required regulatory authorities. Closing is expected in 2021, at which time the Company will add approximately 90 combined wastewater customers and approximately 60 water customers through an interconnection with its current water distribution system. The wastewater customers of the Albright Trailer Park are currently served by SYC WWTP, L.P. and the water customers are currently served by the Company, each through a single customer connection to the park.

On March 4, 2019, the Company signed an agreement to purchase the wastewater collection assets of West Manheim Township in York County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in 2021 at which time the Company will add approximately 1,800 wastewater customers. These wastewater customers are currently water customers of the Company.

On May 27, 2020, the Company signed an agreement to purchase the water assets and wastewater collection and treatment assets of Country View Manor Community, LLC in Washington Township, York County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in 2021 at which time the Company will add approximately 50 water and wastewater customers.

On April 22, 2021, the Company signed an agreement to purchase the water assets and wastewater collection and treatment assets jointly owned by Letterkenny Industrial Development Authority and Franklin County General Authority in Letterkenny and Greene Townships, Franklin County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in 2021 at which time the Company will add approximately 90 water and wastewater customers.

In total, these acquisitions are expected to be immaterial to Company results. The Company is also pursuing other bulk water contracts and acquisitions in and around its service territory to help offset any further declines in per capita water consumption and to grow its business.

On May 10, 2017, the Company signed an emergency interconnect agreement with Dallastown-Yoe Water Authority. The effectiveness of this agreement is contingent upon receiving approval from all required regulatory authorities. Approval is expected to be granted in 2021 at which time the Company will begin construction of a water main extension to a single point of interconnection and either supply a minimum agreed upon amount of water to the authority, receive a payment in lieu of water, or provide water during an emergency, at current tariff rates.

Capital Expenditures

For the three months ended March 31, 2021, the Company invested $7,431 in construction expenditures for routine items as well as various replacements and improvements to infrastructure. The Company was able to fund construction expenditures using internally-generated funds, line of credit borrowings, proceeds from its stock purchase plans and customer advances and contributions from developers, municipalities, customers, or builders.

The Company anticipates construction expenditures for the remainder of 2021 of approximately $26,100 exclusive of any potential acquisitions not yet approved. In addition to routine transmission and distribution projects, a portion of the anticipated expenditures will be for additional main extensions, an elevated water tank, an upgrade to the enterprise software system, completion of a wastewater treatment plant, and various replacements and improvements to infrastructure. The Company intends to use primarily internally-generated funds for its anticipated construction and fund the remainder through cash, line of credit borrowings, proceeds from its stock purchase plans and customer advances and contributions. Customer advances and contributions are expected to account for between 5% and 10% of funding requirements during the remainder of 2021. The Company believes it will have adequate credit facilities and access to the capital markets, if necessary, to meet its anticipated capital needs in the remainder of 2021.

Liquidity and Capital Resources

Cash

The Company manages its cash through a cash management account that is directly connected to its line of credit. Excess cash generated automatically pays down outstanding borrowings under the line of credit arrangement. If there are no outstanding borrowings, the cash is used as an earnings credit to reduce banking fees. Likewise, if additional funds are needed beyond what is generated internally for payroll, to pay suppliers, to fund capital expenditures, or to pay debt service, funds are automatically borrowed under the line of credit. As of March 31, 2021, the Company borrowed $5,170 on its line of credit and had a cash balance of $55. The cash and the cash management facility connected to the line of credit are expected to provide the necessary liquidity and funding for the Company's operations, capital expenditures, acquisitions, and potential buybacks of stock for the foreseeable future.

Accounts Receivable

The accounts receivable balance tends to follow the change in revenues but is also affected by the timeliness of payments by customers and the level of the reserve for doubtful accounts. For the three months ended March 31, 2021, a strengthening in the timeliness of payments, compared to the three months ended December 31, 2020, resulted in a decrease in accounts receivable – customers. A reserve is maintained at a level considered adequate to provide for losses that can be reasonably anticipated based on inactive accounts with outstanding balances. Management periodically evaluates the adequacy of the reserve based on past experience, agings of the receivables, adverse situations that may affect a customer’s ability to pay, current economic conditions, and other relevant factors. During 2021, management’s assessment included consideration of the COVID-19 pandemic along with past trends during times of economic instability and regulations from the PPUC regarding customer turn-offs and collections and determined its allowance for doubtful accounts should remain elevated compared to historical norms. If the status of these factors deteriorates, the Company may incur additional expenses for uncollectible accounts and experience a reduction in its internally-generated funds.

Internally-generated Funds
The amount of internally-generated funds available for operations and construction depends on the Company's ability to obtain timely and adequate rate relief, changes in regulations including taxes, customers' water usage, weather conditions, customer growth and controlled expenses. During the first three months of 2021, the Company generated $6,597 internally from operations as compared to the $4,742 it generated during the first three months of 2020, primarily due to higher net income when adjusted for the non-cash gain on life insurance in 2020 and a decrease in accounts receivable – customers due to a strengthening in the timeliness of payments.

Credit Lines
Historically, the Company has borrowed $15,000 to $20,000 under its lines of credit before refinancing with long-term debt or equity capital. As of March 31, 2021, the Company maintained an unsecured line of credit in the amount of $50,000 at an interest rate of LIBOR plus 1.05% with an unused commitment fee and an interest rate floor which matures September 2022. The Company had $5,170 in outstanding borrowings under its line of credit as of March 31, 2021. The interest rate on the line of credit borrowings as of March 31, 2021 was 1.30%. The Company expects to extend the maturity for this line of credit into 2023 under similar terms and conditions.

The Company has taken steps to manage the risk of reduced credit availability. It has established a committed line of credit with an increase in the total amount available and a 2-year revolving maturity that cannot be called on demand. There is no guarantee that the Company will be able to obtain sufficient lines of credit with favorable terms in the future. If the Company is unable to obtain sufficient lines of credit or to refinance its line of credit borrowings with long-term debt or equity when necessary, it may have to eliminate or postpone capital expenditures. Management believes the Company will have adequate capacity under its current lines of credit to meet anticipated financing needs throughout 2021.

Long-term Debt
The Company's loan agreements contain various covenants and restrictions. Management believes it is currently in compliance with all of these restrictions. See Note 6 to the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 for additional information regarding these restrictions.

The Company's total long-term debt as a percentage of the total capitalization, defined as total common stockholders' equity plus total long-term debt, was 46.3% as of March 31, 2021, compared with 46.9% as of December 31, 2020. The Company expects to allow the debt percentage to trend upward until it approaches fifty percent before considering additional equity. A debt to total capitalization ratio between forty-six and fifty percent has historically been acceptable to the PPUC in rate filings. Due to its ability to generate more cash internally, the Company has been able to keep its ratio below fifty percent.

The variable rate line of credit and the interest rate swap of the Company use the LIBOR as a benchmark for establishing the rates. The United Kingdom's Financial Conduct Authority, which regulates LIBOR, has announced that it intends to stop encouraging or compelling banks to submit rates for the calculation of LIBOR rates. For most LIBOR rates, the cessation date is expected to be June 30, 2023. The Company's line of credit agreement explicitly states that another index may be used if LIBOR is discontinued or otherwise unavailable. The Company believes that it is implicit in its other agreements that a successor rate to LIBOR may be used. The Company is not yet aware what successor rate will be used and therefore cannot estimate the impact to the Company's financial position, results of operations and cash flows, but it could include an increase in the cost of the variable rate indebtedness.

Income Taxes, Deferred Income Taxes and Uncertain Tax Positions
The Company filed for a change in accounting method under the IRS TPR effective in 2014. Under the change in accounting method, the Company is permitted to deduct the costs of certain asset improvements that were previously being capitalized and depreciated for tax purposes as an expense on its income tax return. This ongoing deduction results in a reduction in the effective income tax rate, a net reduction in income tax expense, and a reduction in the amount of income taxes currently payable. It also results in increases to deferred tax liabilities and regulatory assets representing the appropriate book and tax basis difference on capital additions. The Company expects to continue to expense these asset improvements in the future.

The Company's effective tax rate will largely be determined by the level of eligible asset improvements expensed for tax purposes that would have been capitalized for tax purposes prior to the implementation of TPR.

The Company has a substantial deferred income tax asset primarily due to the excess accumulated deferred income taxes on accelerated depreciation from the 2017 Tax Act and the differences between the book and tax balances of the customers' advances for construction and contributions in aid of construction and deferred compensation plans. The Company does not believe a valuation allowance is required due to the expected generation of future taxable income during the periods in which those temporary differences become deductible.

The Company has seen an increase in its deferred income tax liability amounts primarily as a result of the accelerated depreciation deduction available for federal tax purposes which creates differences between book and tax depreciation expense. The Company expects this trend to continue as it makes significant investments in capital expenditures subject to accelerated depreciation or TPR.

The Company has determined there are no uncertain tax positions that require recognition as of March 31, 2021.

Common Stock
Common stockholders' equity as a percent of the total capitalization was 53.7% as of March 31, 2021, compared with 53.1% as of December 31, 2020. The volume of share repurchases and higher debt from capital expenditures, among other things, could reduce this percentage in the future. It is the Company's general intent to target a ratio between fifty and fifty-four percent.

Credit Rating
On October 21, 2020, Standard & Poor's affirmed the Company's credit rating at A-, with a stable outlook and adequate liquidity. The Company's ability to maintain its credit rating depends, among other things, on adequate and timely rate relief, which it has been successful in obtaining, its ability to fund capital expenditures in a balanced manner using both debt and equity and its ability to generate cash flow. The Company's objectives are to continue to maximize its funds provided by operations and maintain a strong capital structure in order to be able to attract capital.

Physical and Cyber Security

The Company maintains security measures at its facilities, and collaborates with federal, state, and local authorities and industry trade associations regarding information on possible threats and security measures for water and wastewater utility operations. The costs incurred are expected to be recoverable in water and wastewater rates and are not expected to have a material impact on its business, financial condition, or results of operations.

The Company relies on information technology systems in connection with the operation of the business, especially with respect to customer service, billing, accounting, and in some cases, the monitoring and operation of treatment, storage, and pumping facilities. In addition, the Company relies on these systems to track utility assets and to manage maintenance and construction projects, materials and supplies, and human resource functions. The information technology systems may be vulnerable to damage or interruption from cyber security attacks or other cyber-related events, including, but not limited to, power loss, computer systems failures, internet, telecommunications or data network failures, physical and electronic loss of data, computer viruses, intentional security breaches, hacking, denial of service actions, misappropriation of data, and similar events. In some cases, administration of certain functions may be outsourced to third-party service providers that could also be targets of cyber security attacks. A loss of these systems, or major problems with the operation of these systems, could harm the business, financial condition, and results of operations of the Company through the loss or compromise of customer, financial, employee, or operational data, disruption of billing, collections or normal field service activities, disruption of electronic monitoring and control of operational systems, and delays in financial reporting and other normal management functions.

Possible impacts associated with a cyber security attack or other events may include remediation costs related to lost, stolen, or compromised data, repairs to data processing systems, increased cyber security protection costs, adverse effects on our compliance with regulatory and environmental laws and regulation, including standards for drinking water, litigation, and reputational damage.

The Company has implemented processes, procedures, and controls to prevent or limit the effect of these possible events, and maintains insurance to help defray costs associated with cyber security attacks. The Company has not experienced a material impact on business or operations from these attacks. Although the Company does not believe its systems are at a materially greater risk of cyber security attacks than other similar organizations and despite the implementation of robust security measures, the Company cannot provide assurance that the insurance will fully cover the costs of a cyber security event, and its robust security measures do not guarantee that reputation and financial results will not be adversely affected by such an incident.

Environmental Matters

The Company entered into a consent order agreement with the Pennsylvania Department of Environmental Protection in December 2016 after the Company determined it exceeded the action level for lead as established by the Lead and Copper Rule, or LCR, issued by the U.S. Environmental Protection Agency. The Company did not have an exceedance in any subsequent compliance test. Under the agreement, the Company successfully completed its commitment to exceed the LCR replacement schedule by replacing all the known company-owned lead service lines within four years from the agreement. Any additional company-owned lead service lines that are discovered will be replaced and included in utility plant but are not expected to have a material impact on the financial position of the Company.

The Company was granted approval by the PPUC to modify its tariff to include the cost of the annual replacement of up to 400 lead customer-owned service lines over nine years from the agreement. The tariff modification allows the Company to replace customer-owned service lines at its own initial cost. The Company will record the costs as a regulatory asset to be recovered in future base rates to customers, over a four-year period. The cost for the customer-owned lead service line replacements was approximately $1,222 and $1,204 through March 31, 2021 and December 31, 2020, respectively, and is included as a regulatory asset. Based on its experience, the Company estimates that lead customer-owned service lines replacements will cost $1,500. This estimate is subject to adjustment as more facts become available.

Critical Accounting Estimates

The methods, estimates, and judgments the Company used in applying its accounting policies have a significant impact on the results reported in its financial statements. The Company's accounting policies require management to make subjective judgments because of the need to make estimates of matters that are inherently uncertain. The Company's most critical accounting estimates include regulatory assets and liabilities, revenue recognition, accounting for its pension plans, and income taxes. There has been no significant change in accounting estimates or the method of estimation during the quarter ended March 31, 2021.

Off-Balance Sheet Arrangements

The Company does not use off-balance sheet transactions, arrangements or obligations that may have a material current or future effect on financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenues or expenses. The Company does not use securitization of receivables or unconsolidated entities. For risk management purposes, the Company uses a derivative financial instrument, an interest rate swap agreement discussed in Note 5 to the financial statements included herein. The Company does not engage in trading or other risk management activities, does not use other derivative financial instruments for any purpose, has no guarantees and does not have material transactions involving related parties.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's President and Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, the Company's President and Chief Executive Officer along with the Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report are effective such that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to the Company’s management, including the President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

No change in the Company's internal control over financial reporting occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 6. Exhibits.

Exhibit No.	Description
3	Amended and Restated Articles of Incorporation. Incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 4, 2010.
3.1	Amended and Restated By-Laws. Incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 26, 2012.
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE YORK WATER COMPANY

Date: May 4, 2021	/s/ Joseph T. Hand Joseph T. Hand Principal Executive Officer
Date: May 4, 2021	/s/ Matthew E. Poff Matthew E. Poff Principal Financial and Accounting Officer

EXHIBIT 31.1
CERTIFICATIONS

I, Joseph T. Hand, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The York Water Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2021

/s/ Joseph T. Hand
Joseph T. Hand
President and CEO

EXHIBIT 31.2
CERTIFICATIONS

I, Matthew E. Poff, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The York Water Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2021

/s/ Matthew E. Poff
Matthew E. Poff
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The York Water Company (the "Company") on Form 10-Q for the period ending March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph T. Hand, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

THE YORK WATER COMPANY

Date: May 4, 2021

/s/ Joseph T. Hand
Joseph T. Hand
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The York Water Company (the "Company") on Form 10-Q for the period ending March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew E. Poff, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

THE YORK WATER COMPANY

Date: May 4, 2021

/s/ Matthew E. Poff
Matthew E. Poff
Chief Financial Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2021

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________to____________

Commission file number 001-34245

THE YORK WATER COMPANY
(Exact name of registrant as specified in its charter)

"That good York water"
SINCE 1816

Pennsylvania	23-1242500
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
130 East Market Street, York, Pennsylvania	17401
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (717) 845-3601

Securities registered pursuant to Section 12(b) of the Act:

COMMON STOCK, NO PAR VALUE	YORW	The NASDAQ Global Select Market
(Title of Class)	(Trading Symbol)	(Name of Each Exchange on Which Registered)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
☒ YES ☐ NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
☒ YES ☐ NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Small Reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
☐ YES ☒ NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, No par value 13,093,427 Shares outstanding
as of August 5, 2021

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THE YORK WATER COMPANY

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Balance Sheets (Unaudited)
(In thousands of dollars, except per share amounts)

	Jun. 30, 2021	Dec. 31, 2020
ASSETS		
UTILITY PLANT, at original cost	$ 457,196	$ 438,670
Plant acquisition adjustments	(3,673)	(3,707)
Accumulated depreciation	(94,377)	(91,340)
Net utility plant	359,146	343,623
OTHER PHYSICAL PROPERTY, net of accumulated depreciation of $471 in 2021 and $458 in 2020	729	742
CURRENT ASSETS:		
Cash and cash equivalents	6	2
Restricted cash	-	5,000
Accounts receivable, net of reserves of $792 in 2021 and $655 in 2020	4,206	5,184
Unbilled revenues	3,179	2,847
Recoverable income taxes	653	721
Materials and supplies inventories, at cost	1,033	1,010
Prepaid expenses	1,808	1,526
Total current assets	10,885	16,290
OTHER LONG-TERM ASSETS:		
Prepaid pension cost	3,802	2,209
Note receivable	255	255
Deferred regulatory assets	41,996	39,893
Other assets	4,163	3,945
Total other long-term assets	50,216	46,302
Total Assets	**$ 420,976**	**$ 406,957**

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Balance Sheets (Unaudited)
(In thousands of dollars, except per share amounts)

	Jun. 30, 2021	Dec. 31, 2020
STOCKHOLDERS' EQUITY AND LIABILITIES		
COMMON STOCKHOLDERS' EQUITY:		
Common stock, no par value, authorized 46,500,000 shares, issued and outstanding 13,090,055 shares in 2021 and 13,060,817 shares in 2020	$ 87,100	$ 85,935
Retained earnings	60,606	57,317
Total common stockholders' equity	147,706	143,252
PREFERRED STOCK, authorized 500,000 shares, no shares issued	-	-
LONG-TERM DEBT	126,996	123,573
COMMITMENTS	-	-
CURRENT LIABILITIES:		
Accounts payable	8,359	6,540
Dividends payable	2,193	2,192
Accrued compensation and benefits	1,469	1,417
Accrued interest	958	959
Deferred regulatory liabilities	581	525
Other accrued expenses	358	360
Total current liabilities	13,918	11,993
DEFERRED CREDITS:		
Customers' advances for construction	10,907	10,326
Deferred income taxes	45,787	43,538
Deferred employee benefits	4,821	4,793
Deferred regulatory liabilities	27,059	25,444
Other deferred credits	2,328	2,731
Total deferred credits	90,902	86,832
Contributions in aid of construction	41,454	41,307
Total Stockholders' Equity and Liabilities	**$ 420,976**	**$ 406,957**

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Income (Unaudited)
(In thousands of dollars, except per share amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
OPERATING REVENUES:	$ 13,801	$ 13,320	$ 26,882	$ 26,197
OPERATING EXPENSES:				
Operation and maintenance	2,949	2,618	5,755	5,281
Administrative and general	2,441	2,072	4,852	4,316
Depreciation and amortization	2,198	2,043	4,372	4,067
Taxes other than income taxes	311	294	647	624
	7,899	7,027	15,626	14,288
Operating income	5,902	6,293	11,256	11,909
OTHER INCOME (EXPENSES):				
Interest on debt	(1,222)	(1,156)	(2,436)	(2,351)
Allowance for funds used during construction	311	114	573	215
Other pension costs	(303)	(340)	(607)	(681)
Gain on life insurance	-	-	-	515
Other income (expenses), net	(44)	(121)	(145)	(246)
	(1,258)	(1,503)	(2,615)	(2,548)
Income before income taxes	4,644	4,790	8,641	9,361
Income taxes	160	608	452	1,177
Net Income	**$ 4,484**	**$ 4,182**	**$ 8,189**	**$ 8,184**
Basic Earnings Per Share	**$ 0.35**	**$ 0.32**	**$ 0.63**	**$ 0.63**
Diluted Earnings Per Share	**$ 0.35**	**$ 0.32**	**$ 0.63**	**$ 0.63**

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Common Stockholders' Equity (Unaudited)
(In thousands of dollars, except per share amounts)
For the Periods Ended June 30, 2021 and 2020

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total
Balance, March 31, 2021	13,071,733	$ 86,436	$ 58,574	$ 145,010
Net income	-	-	4,484	4,484
Cash dividends declared, $0.1874 per share	-	-	(2,452)	(2,452)
Issuance of common stock under dividend reinvestment, direct stock and employee stock purchase plans	12,152	571	-	571
Stock-based compensation	6,170	93	-	93
Balance, June 30, 2021	13,090,055	$ 87,100	$ 60,606	$ 147,706
Balance, December 31, 2020	13,060,817	$ 85,935	$ 57,317	$ 143,252
Net income	-	-	8,189	8,189
Cash dividends declared, $0.3748 per share	-	-	(4,900)	(4,900)
Issuance of common stock under dividend reinvestment, direct stock and employee stock purchase plans	23,068	1,044	-	1,044
Stock-based compensation	6,170	121	-	121
Balance, June 30, 2021	13,090,055	$ 87,100	$ 60,606	$ 147,706

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total
Balance, March 31, 2020	13,024,187	$ 84,424	$ 51,865	$ 136,289
Net income	-	-	4,182	4,182
Cash dividends declared, $0.1802 per share	-	-	(2,347)	(2,347)
Issuance of common stock under dividend reinvestment, direct stock and employee stock purchase plans	9,812	433	-	433
Stock-based compensation	-	15	-	15
Balance, June 30, 2020	13,033,999	$ 84,872	$ 53,700	$ 138,572
Balance, December 31, 2019	13,014,898	$ 83,976	$ 50,209	$ 134,185
Net income	-	-	8,184	8,184
Cash dividends declared, $0.3604 per share	-	-	(4,693)	(4,693)
Issuance of common stock under dividend reinvestment, direct stock and employee stock purchase plans	19,101	844	-	844
Stock-based compensation	-	52	-	52
Balance, June 30, 2020	13,033,999	$ 84,872	$ 53,700	$ 138,572

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Cash Flows (Unaudited)
(In thousands of dollars, except per share amounts)

	Six Months Ended June 30	
	2021	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 8,189	$ 8,184
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on life insurance	-	(515)
Depreciation and amortization	4,372	4,067
Stock-based compensation	121	52
Decrease in deferred income taxes	(72)	(69)
Other	38	206
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable and unbilled revenues	443	(1,176)
Decrease in recoverable income taxes	68	547
Increase in materials and supplies, prepaid expenses, prepaid pension cost, regulatory and other assets	(4,471)	(3,772)
Increase in accounts payable, accrued compensation and benefits, accrued expenses, deferred employee benefits, regulatory liabilities, and other deferred credits	3,415	1,522
Increase (decrease) in accrued interest	(1)	701
Net cash provided by operating activities	12,102	9,747
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility plant additions, including debt portion of allowance for funds used during construction of $320 in 2021 and $120 in 2020	(16,043)	(8,986)
Cash received from surrender of life insurance policies	-	672
Net cash used in investing activities	(16,043)	(8,314)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Customers' advances for construction and contributions in aid of construction	1,204	1,885
Repayments of customer advances	(476)	(105)
Proceeds of long-term debt issues	23,910	14,759
Repayments of long-term debt	(20,575)	(12,805)
Changes in cash overdraft position	(1,263)	(1,331)
Issuance of common stock	1,044	844
Dividends paid	(4,899)	(4,680)
Net cash used in financing activities	(1,055)	(1,433)
Net change in cash, cash equivalents, and restricted cash	(4,996)	-
Cash, cash equivalents, and restricted cash at beginning of period	5,002	2
Cash and cash equivalents at end of period	$ 6	$ 2
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	$ 2,016	$ 2,170
Income taxes	217	-

Supplemental disclosure of non-cash investing and financing activities:
Accounts payable includes $5,166 in 2021 and $2,854 in 2020 for the construction of utility plant.

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Notes to Interim Financial Statements
(In thousands of dollars, except per share amounts)

1. Basis of Presentation

The interim financial statements are unaudited but, in the opinion of management, reflect all adjustments, consisting of only normal recurring accruals, necessary for a fair presentation of results for such periods. Because the financial statements cover an interim period, they do not include all disclosures and notes normally provided in annual financial statements, and therefore, should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Operating results for the three and six months ended June 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. Additionally, based on the duration and severity of the novel coronavirus ("COVID-19") pandemic, the Company is uncertain of the ultimate impact it could have on the business.

2. Accounts Receivable and Contract Assets

Accounts receivable and contract assets are summarized in the following table:

	As of Jun. 30, 2021	As of Dec. 31, 2020	Change
Accounts receivable – customers	$4,782	$5,633	$(851)
Other receivables	216	206	10
	4,998	5,839	(841)
Less: allowance for doubtful accounts	(792)	(655)	(137)
Accounts receivable, net	$4,206	$5,184	$(978)
Unbilled revenue	$3,179	$2,847	$332

Differences in timing of revenue recognition, billings, and cash collections result in receivables and contract assets. Generally, billing occurs subsequent to revenue recognition, resulting in a contract asset reported as unbilled revenue on the balance sheet. The Company does not receive advances or deposits from customers before revenue is recognized so no contract liabilities are reported. Accounts receivable are recorded when the right to consideration becomes unconditional and are presented separately on the balance sheet. The changes in accounts receivable – customers and in unbilled revenue were primarily due to normal timing difference between performance and the customer’s payments.

3. Common Stock and Earnings Per Share

Net income of $4,484 and $4,182 for the three months ended June 30, 2021 and 2020, respectively, and $8,189 and $8,184 for the six months ended June 30, 2021 and 2020, respectively, is used to calculate both basic and diluted earnings per share. Basic earnings per share is based on the weighted average number of common shares outstanding. Diluted earnings per share is based on the weighted average number of common shares outstanding plus potentially dilutive shares. The dilutive effect of employee stock-based compensation is included in the computation of diluted earnings per share and is calculated using the treasury stock method and expected proceeds upon exercise or issuance of the stock-based compensation.

The following table summarizes the shares used in computing basic and diluted earnings per share.

	Three Months Ended June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Weighted average common shares, basic	13,068,806	13,022,088	13,062,374	13,015,842
Effect of dilutive securities:				
Employee stock-based compensation	1,435	882	1,088	579
Weighted average common shares, diluted	13,070,241	13,022,970	13,063,462	13,016,421

On March 11, 2013, the Board of Directors, or the Board, authorized a share repurchase program granting the Company authority to repurchase up to 1,200,000 shares of the Company's common stock from time to time. The stock repurchase program has no specific end date and the Company may repurchase shares in the open market or through privately negotiated transactions. The Company may suspend or discontinue the repurchase program at any time. No shares were repurchased during the three or six months ended June 30, 2021 and 2020. As of June 30, 2021, 618,004 shares remain authorized for repurchase.

4. Debt

For the six months ended June 30, 2021, the Company did not enter into any new long-term debt arrangements or modify its outstanding long-term debt, which is summarized in the table below.

	As of Jun. 30, 2021	As of Dec. 31. 2020
8.43% Senior Notes, Series D, due 2022	$7,500	$7,500
Variable Rate Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series 2008A, due 2029	12,000	12,000
3.00% Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series A of 2019, due 2036	10,500	10,500
3.10% Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series B of 2019, due 2038	14,870	14,870
3.23% Senior Notes, due 2040	15,000	15,000
4.00% - 4.50% York County Industrial Development Authority Exempt Facilities Revenue Bonds, Series 2015, due 2029 - 2045	10,000	10,000
4.54% Senior Notes, due 2049	20,000	20,000
3.24% Senior Notes, due 2050	30,000	30,000
Committed Line of Credit, due September 2023	10,035	6,700
Total long-term debt	129,905	126,570
Less discount on issuance of long-term debt	(175)	(181)
Less unamortized debt issuance costs	(2,734)	(2,816)
Long-term portion	$126,996	$123,573

Subsequent to June 30, 2021, the Company renewed its committed line of credit and extended the maturity date to September 2023.

5. Interest Rate Swap Agreement

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. The Company utilizes an interest rate swap agreement to effectively convert the Company's $12,000 variable-rate debt issue to a fixed rate. Interest rate swaps are contracts in which a series of interest rate cash flows are exchanged over a prescribed period. The notional amount on which the interest payments are based ($12,000) is not exchanged. The interest rate swap provides that the Company pays the counterparty a fixed interest rate of 3.16% on the notional amount of $12,000. In exchange, the counterparty pays the Company a variable interest rate based on 59% of the U.S. Dollar one-month LIBOR rate on the notional amount. The intent is for the variable rate received from the swap counterparty to approximate the variable rate the Company pays to bondholders on its variable rate debt issue, resulting in a fixed rate being paid to the swap counterparty and reducing the Company's interest rate risk. The Company's net payment rate on the swap was 3.09% and 2.91% for the three months ended June 30, 2021 and 2020, respectively, and 3.02% and 2.59% for the six months ended June 30, 2021 and 2020, respectively.

The interest rate swap agreement is classified as a financial derivative used for non-trading activities. The accounting standards regarding accounting for derivatives and hedging activities require companies to recognize all derivative instruments as either assets or liabilities at fair value on the balance sheet. In accordance with the standards, the interest rate swap is recorded on the balance sheet in other deferred credits at fair value (see Note 6).

The Company uses regulatory accounting treatment rather than hedge accounting to defer the unrealized gains and losses on its interest rate swap. These unrealized gains and losses are recorded as a regulatory asset. Based on current ratemaking treatment, the Company expects the unrealized gains and losses to be recognized in rates as a component of interest expense as the swap settlements occur. Swap settlements are recorded in the income statement with the hedged item as interest expense. Swap settlements resulted in the reclassification from regulatory assets to interest expense of $93 and $87 for the three months ended June 30, 2021 and 2020, respectively, and $184 and $156 for the six months ended June 30, 2021 and 2020, respectively. The overall swap result was a (gain) loss of $212 and $189 for the three months ended June 30, 2021 and 2020, respectively, and $(219) and $901 for the six months ended June 30, 2021 and 2020, respectively. The Company expects to reclassify $369 from regulatory assets to interest expense as a result of swap settlements over the next 12 months.

The interest rate swap agreement contains provisions that require the Company to maintain a credit rating of at least BBB- with Standard & Poor's. If the Company's rating were to fall below this rating, it would be in violation of these provisions, and the counterparty to the derivative could request immediate payment if the derivative was in a liability position. On October 21, 2020, Standard & Poor's affirmed the Company's credit rating at A-, with a stable outlook and adequate liquidity. The Company's interest rate swap was in a liability position as of June 30, 2021. If a violation due to credit rating, or some other default provision, were triggered on June 30, 2021, the Company would have been required to pay the counterparty approximately $2,368.

The interest rate swap will expire on October 1, 2029. Other than the interest rate swap, the Company has no other derivative instruments.

6. Fair Value of Financial Instruments

The accounting standards regarding fair value measurements establish a fair value hierarchy which indicates the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs include quoted prices for identical instruments and are the most observable. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, commodity rates and yield curves. Level 3 inputs are not observable in the market and include management's own judgments about the assumptions market participants would use in pricing the asset or liability.

The Company has recorded its interest rate swap liability at fair value in accordance with the standards. The liability is recorded under the caption "Other deferred credits" on the balance sheet. The table below illustrates the fair value of the interest rate swap as of the end of the reporting period.

Description	June 30, 2021	Fair Value Measurements at Reporting Date Using Significant Other Observable Inputs (Level 2)
Interest Rate Swap	$2,328	$2,328

Fair values are measured as the present value of all expected future cash flows based on the LIBOR-based swap yield curve as of the date of the valuation. These inputs to this calculation are deemed to be Level 2 inputs. The balance sheet carrying value reflects the Company's credit quality as of June 30, 2021. The rate used in discounting all prospective cash flows anticipated to be made under this swap reflects a representation of the yield to maturity for 30-year debt on utilities rated A- as of June 30, 2021. The use of the Company's credit rating resulted in a reduction in the fair value of the swap liability of $40 as of June 30, 2021. The fair value of the swap reflecting the Company's credit quality as of December 31, 2020 is shown in the table below.

Description	December 31, 2020	Fair Value Measurements at Reporting Date Using Significant Other Observable Inputs (Level 2)
Interest Rate Swap	$2,731	$2,731

The carrying amount of current assets and liabilities that are considered financial instruments approximates fair value as of the dates presented. The Company's total long-term debt, with a carrying value of $129,905 at June 30, 2021, and $126,570 at December 31, 2020, had an estimated fair value of approximately $147,000 and $151,000, respectively. The estimated fair value of debt was calculated using a discounted cash flow technique that incorporates a market interest yield curve with adjustments for duration and risk profile. These inputs to this calculation are deemed to be Level 2 inputs. The Company recognized its credit rating in determining the yield curve and did not factor in third party credit enhancements including the letter of credit on the 2008 Pennsylvania Economic Development Financing Authority Series A issue.

Customers' advances for construction and note receivable had carrying values at June 30, 2021 of $10,907 and $255, respectively. At December 31, 2020, customers' advances for construction and note receivable had carrying values of $10,326 and $255, respectively. The relative fair values of these amounts cannot be accurately estimated since the timing of future payment streams is dependent upon several factors, including new customer connections, customer consumption levels and future rate increases.

7. Commitments

The Company entered into a consent order agreement with the Pennsylvania Department of Environmental Protection in December 2016 after the Company determined it exceeded the action level for lead as established by the Lead and Copper Rule, or LCR, issued by the U.S. Environmental Protection Agency. The Company did not have an exceedance in any subsequent compliance test. Under the agreement, the Company successfully completed its commitment to exceed the LCR replacement schedule by replacing all the known company-owned lead service lines within four years from the agreement. Any additional company-owned lead service lines that are discovered will be replaced and included in utility plant but are not expected to have a material impact on the financial position of the Company.

The Company was granted approval by the Pennsylvania Public Utility Commission, or PPUC, to modify its tariff to include the cost of the annual replacement of up to 400 lead customer-owned service lines over nine years from the agreement. The tariff modification allows the Company to replace customer-owned service lines at its own initial cost. The Company will record the costs as a regulatory asset to be recovered in future base rates to customers, over a four-year period. The cost for the customer-owned lead service line replacements was approximately $1,258 and $1,204 through June 30, 2021 and December 31, 2020, respectively, and is included as a regulatory asset. Based on its experience, the Company estimates that lead customer-owned service lines replacements will cost $1,500. This estimate is subject to adjustment as more facts become available.

8. Revenue

The following table shows the Company's revenues disaggregated by service and customer type.

	Three Months Ended June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Water utility service:				
Residential	$8,543	$8,664	$16,688	$16,741
Commercial and industrial	3,629	3,216	6,939	6,557
Fire protection	795	783	1,601	1,584
Wastewater utility service:				
Residential	474	425	945	835
Commercial and industrial	79	75	158	151
Billing and revenue collection services	120	14	239	29
Collection services	11	-	11	14
Other revenue	10	5	20	10
Total Revenue from Contracts with Customers	13,661	13,182	26,601	25,921
Rents from regulated property	140	138	281	276
Total Operating Revenue	$13,801	$13,320	$26,882	$26,197

Utility Service

The Company provides utility service as a distinct and single performance obligation to each of its water and wastewater customers. The transaction price is detailed in the tariff pursuant to an order by the PPUC and made publicly available. There is no variable consideration and no free service, special rates, or subnormal charges to any customer. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied over time through the continuous provision of utility service through a stand-ready obligation to perform and the transfer of water or the collection of wastewater through a series of distinct transactions that are identical in nature and have the same pattern of transfer to the customer. The Company uses an output method to recognize the utility service revenue over time. The stand-ready obligation is recognized through the passage of time in the form of a fixed charge and the transfer of water or the collection of wastewater is recognized at a per unit rate based on the actual or estimated flow through the meter. Each customer is invoiced every month and the invoice is due within twenty days. The utility service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period. A contract asset for unbilled revenue is recognized for the passage of time and the actual or estimated usage from the latest meter reading to the end of the accounting period. The methodology is standardized and consistently applied to reduce bias and the need for judgment.

Billing and Revenue Collection Service

The Company provides billing and revenue collection service as distinct performance obligations to three municipalities within the service territory of the Company. The municipalities provide wastewater service to their residents and the Company acts as the billing and revenue collection agent for the municipalities. The transaction price is a fixed amount per bill prepared as established in the contract. There is no variable consideration. Due to the fact that both the billing performance obligation and the revenue collection performance obligation are materially complete by the end of the reporting period, the Company does not allocate the transaction price between the two performance obligations. The performance obligations are satisfied at a point in time when the bills are sent as the municipalities receive all the benefits and bears all of the risk of non-collection at that time. Each municipality is invoiced when the bills are complete and the invoice is due within thirty days. The billing and revenue collection service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period.

Collection Service

The Company provides collection service as a distinct and single performance obligation to several municipalities within the service territory of the Company. The municipalities provide wastewater service to their residents. If those residents are delinquent in paying for their wastewater service, the municipalities request that the Company post for and shut off the supply of water to the premises of those residents. When the resident is no longer delinquent, the Company will restore water service to the premises. The transaction price for each posting, each shut off, and each restoration is a fixed amount as established in the contract. There is no variable consideration. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied at a point in time when the posting, shut off, or restoration is completed as the municipalities receive all the benefits in the form of payment or no longer providing wastewater service. Each municipality is invoiced periodically for the posting, shut offs, and restorations that have been completed since the last billing and the invoice is due within thirty days. The collection service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period. A contract asset for unbilled revenue is recognized for postings, shut offs, and restorations that have been completed from the last billing to the end of the accounting period.

Service Line Protection Plan

The Company provides service line protection as a distinct and single performance obligation to current water customers that choose to participate. The transaction price is detailed in the plan’s terms and conditions and made publicly available. There is no variable consideration. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied over time through the continuous provision of service line protection through a stand-ready obligation to perform. The Company uses an output method to recognize the service line protection revenue over time. The stand-ready obligation is recognized through the passage of time. A customer has a choice to prepay for an entire year or to pay in advance each month. The service line protection plan has no returns or extended warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no material performance obligations remain unsatisfied as of the end of the reporting period.

9. Rate Matters

From time to time, the Company files applications for rate increases with the PPUC and is granted rate relief as a result of such requests. Most recently, the PPUC authorized an increase in rates effective March 1, 2019.

The PPUC permits water utilities to collect a distribution system improvement charge, or DSIC. The DSIC allows the Company to add a charge to customers' bills for qualified replacement costs of certain infrastructure without submitting a rate filing. This surcharge mechanism typically adjusts periodically based on additional qualified capital expenditures completed or anticipated in a future period. The DSIC is capped at 5% of base rates and is reset to zero when new base rates that reflect the costs of those additions become effective or when a utility's earnings exceed a regulatory benchmark. During its most recent quarterly reporting period, the Company's earnings were below the regulatory benchmark and the Company began recognizing DSIC in June 2021 for bills rendered after July 1, 2021 that included June consumption. The DSIC provided revenues of $25 for the three and six months ended June 30, 2021 and $0 for the three and six months ended June 30, 2020.

10. Pensions

Components of Net Periodic Pension Cost

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Service cost	$272	$235	$543	$469
Interest cost	302	364	604	728
Expected return on plan assets	(913)	(800)	(1,826)	(1,599)
Amortization of actuarial loss	121	93	242	185
Amortization of prior service cost	(3)	(3)	(6)	(6)
Rate-regulated adjustment	796	686	1,593	1,373
Net periodic pension expense	$575	$575	$1,150	$1,150

Pension service cost is recorded in operating expenses. All other components of net periodic pension cost are recorded as other pension costs in other income (expenses).

Employer Contributions

The Company previously disclosed in its financial statements for the year ended December 31, 2020 that it expected to contribute $2,300 to its pension plans in 2021. For the six months ended June 30, 2021, contributions of $1,150 have been made. The Company expects to contribute the remaining $1,150 during the final two quarters of 2021.

11. Stock-Based Compensation

On May 2, 2016, the Company's stockholders approved The York Water Company Long-Term Incentive Plan, or LTIP. The LTIP was adopted to provide the incentive of long-term stock-based awards to officers, directors, and key employees. The LTIP provides for the granting of nonqualified stock options, incentive stock options, stock appreciation rights, performance restricted stock grants and units, restricted stock grants and units, and unrestricted stock grants. A maximum of 100,000 shares of common stock may be issued under the LTIP over the ten-year life of the plan. The maximum number of shares of common stock subject to awards that may be granted to any participant in any one calendar year is 2,000. Shares of common stock issued under the LTIP may be treasury shares or authorized but unissued shares. The LTIP will be administered by the Compensation Committee of the Board, or the full Board, provided that the full Board will administer the LTIP as it relates to awards to non-employee directors of the Company. The Company filed a registration statement with the Securities and Exchange Commission on May 11, 2016 covering the offering of stock under the LTIP. The LTIP was effective on July 1, 2016.

On August 19, 2019, the Board accelerated the vesting period for restricted stock granted in 2017, 2018, and 2019 to one retiring officer from three years to that officer's 2020 retirement date, which had been fully recognized as of March 31, 2020.

On May 3, 2021, the Board awarded stock to non-employee directors effective May 3, 2021. This stock award vested immediately. On May 3, 2021, the Compensation Committee awarded restricted stock to officers and key employees effective May 3, 2021. This restricted stock award vests ratably over three years beginning May 3, 2021.

The restricted stock awards provide the grantee with the rights of a shareholder, including the right to receive dividends and to vote such shares, but not the right to sell or otherwise transfer the shares during the restriction period. As a result, the awards are included in common shares outstanding on the balance sheet. Restricted stock awards result in compensation expense valued at the fair market value of the stock on the date of the grant and are amortized ratably over the restriction period.

The following tables summarize the stock grant amounts and activity for the six months ended June 30, 2021.

	Number of Shares	Grant Date Weighted Average Fair Value
Nonvested at beginning of the period	6,682	$39.30
Granted	6,170	$51.40
Vested	(2,820)	$39.94
Forfeited	-	-
Nonvested at end of the period	10,032	$46.56

For the three months ended June 30, 2021 and 2020, the statement of income includes $93 and $15 of stock-based compensation, respectively, and related recognized tax benefits of $27 and $4, respectively. For the six months ended June 30, 2021 and 2020, the statement of income includes $121 and $52 of stock-based compensation, respectively, and related recognized tax benefits of $35 and $15, respectively. The total fair value of the shares vested in the six months ended June 30, 2021 was $113. Total stock-based compensation related to nonvested awards not yet recognized is $467 which will be recognized over the remaining three year vesting period.

12. Income Taxes

The Company filed for a change in accounting method under the Internal Revenue Service tangible property regulations, or TPR, effective in 2014. Under the change in accounting method, the Company is permitted to deduct the costs of certain asset improvements that were previously being capitalized and depreciated for tax purposes as an expense on its income tax return. This ongoing deduction results in a reduction in the effective income tax rate, a net reduction in income tax expense, and a reduction in the amount of income taxes currently payable. It also results in increases to deferred tax liabilities and regulatory assets representing the appropriate book and tax basis difference on capital additions.

The Company's effective tax rate was 3.4% and 12.7% for the three months ended June 30, 2021 and 2020, respectively and 5.2% and 12.6% for the six months ended June 30, 2021 and 2020, respectively. The lower effective tax rate is primarily due to higher deductions from the TPR. The effective tax rate will vary depending on the level of eligible asset improvements expensed for tax purposes under TPR each period.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (In thousands of dollars, except per share amounts)

Forward-looking Statements

Certain statements contained in this report on Form 10-Q constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. Words such as "may," "should," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify forward-looking statements. These forward-looking statements include certain information relating to the Company’s business strategy; statements including, but not limited to:

- the amount and timing of rate changes and other regulatory matters including the recovery of costs recorded as regulatory assets;
- expected profitability and results of operations;
- trends;
- goals, priorities and plans for, and cost of, growth and expansion;
- strategic initiatives;
- availability of water supply;
- water usage by customers; and
- the ability to pay dividends on common stock and the rate of those dividends.

The forward-looking statements in this report reflect what the Company currently anticipates will happen. What actually happens could differ materially from what it currently anticipates will happen. The Company does not intend to make a public announcement when forward-looking statements in this report are no longer accurate, whether as a result of new information, what actually happens in the future or for any other reason. Important matters that may affect what will actually happen include, but are not limited to:

- changes in weather, including drought conditions or extended periods of heavy rainfall;
- natural disasters, including pandemics such as the current outbreak of the novel strain of coronavirus known as “COVID-19” and the effectiveness of the Company’s pandemic plans;
- levels of rate relief granted;
- the level of commercial and industrial business activity within the Company's service territory;
- construction of new housing within the Company's service territory and increases in population;
- changes in government policies or regulations, including the tax code;
- the ability to obtain permits for expansion projects;
- material changes in demand from customers, including the impact of conservation efforts which may reduce the demand of customers for water;
- changes in economic and business conditions, including interest rates;
- loss of customers;
- changes in, or unanticipated, capital requirements;
- the impact of acquisitions;
- changes in accounting pronouncements;
- changes in the Company’s credit rating or the market price of its common stock; and
- the ability to obtain financing.

General Information

The primary business of the Company is to impound, purify to meet or exceed safe drinking water standards and distribute water. The Company also owns and operates two wastewater collection systems and five wastewater collection and treatment systems. The Company operates within its franchised water and wastewater territory, which covers portions of 51 municipalities within three counties in south-central Pennsylvania. The Company is regulated by the Pennsylvania Public Utility Commission, or PPUC, for both water and wastewater in the areas of billing, payment procedures, dispute processing, terminations, service territory, debt and equity financing and rate setting. The Company must obtain PPUC approval before changing any practices associated with the aforementioned areas.

Water service is supplied through the Company's own distribution system. The Company obtains the bulk of its water supply from both the South Branch and East Branch of the Codorus Creek, which together have an average daily flow of 73.0 million gallons. This combined watershed area is approximately 117 square miles. The Company has two reservoirs, Lake Williams and Lake Redman, which together hold up to approximately 2.2 billion gallons of water. The Company supplements its reservoirs with a 15-mile pipeline from the Susquehanna River to Lake Redman which provides access to an additional supply of 12.0 million gallons of untreated water per day. The Company also owns nine wells which are capable of providing a safe yield of approximately 597,000 gallons per day to supply water to the customers of its satellite systems in Adams County. As of June 30, 2021, the Company's average daily availability was 35.6 million gallons, and average daily consumption was approximately 20.2 million gallons. The Company's service territory had an estimated population of 202,000 as of December 31, 2020. Industry within the Company's service territory is diversified, manufacturing such items as fixtures and furniture, electrical machinery, food products, paper, ordnance units, textile products, air conditioning systems, laundry detergent, barbells, and motorcycles.

The Company's water business is somewhat dependent on weather conditions, particularly the amount and timing of rainfall. Revenues are particularly vulnerable to weather conditions in the summer months. Prolonged periods of hot and dry weather generally cause increased water usage for watering lawns, washing cars, and keeping golf courses and sports fields irrigated. Conversely, prolonged periods of dry weather could lead to drought restrictions from governmental authorities. Despite the Company’s adequate water supply, customers may be required to cut back water usage under such drought restrictions which would negatively impact revenues. The Company has addressed some of this vulnerability by instituting minimum customer charges which are intended to cover fixed costs of operations under all likely weather conditions.

The Company’s business does not require large amounts of working capital and is not dependent on any single customer or a very few customers for a material portion of its business. Increases in revenues are generally dependent on the Company’s ability to obtain rate increases from the PPUC in a timely manner and in adequate amounts and to increase volumes of water sold through increased consumption and increases in the number of customers served. The Company continuously looks for water and wastewater acquisition and expansion opportunities both within and outside its current service territory as well as additional opportunities to enter into bulk water contracts with municipalities and other entities to supply water.

The Company has agreements with several municipalities to provide sewer billing and collection services. The Company also has a service line protection program on a targeted basis in order to further diversify its business. Under this optional program, customers pay a fixed monthly fee, and the Company will repair or replace damaged customer service lines, as needed, subject to an annual maximum dollar amount. The Company continues to review and consider opportunities to expand both initiatives.

Impact of COVID-19

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") was reported. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. On March 6, 2020, Governor Tom Wolf signed an emergency disaster declaration for the Commonwealth of Pennsylvania which was extended for an additional ninety days five times, most recently on May 19, 2021. This emergency declaration was ended on June 16, 2021, by joint resolution of the Pennsylvania legislature. However, developments in this area continue at the local, state, and national levels and the Company continues to stay abreast of these developments. The Company has taken steps, consistent with directions from local, state, and federal authorities, to mitigate known risks with the health and safety of its employees and customers as its first priority.

The Company is an essential, life-sustaining business and has continued normal operations. The Company continues to monitor guidance from state and local authorities and, although most restrictions have been lifted, has made some modifications to its operations in order to comply with Pennsylvania's guidelines. This includes implementing enhanced safety procedures in its lobby and other measures such as holding virtual meetings and maintaining social distancing practices, when appropriate. These restrictions are not expected to materially impede the Company's ability to complete its planned capital expenditures or acquisitions. The Company has not experienced any material supply chain disruptions. The Company has been informed of longer lead times for some items, although this does not impact critical operating supplies or repair parts. The Company continues to maintain relationships with its vendors to identify issues in a timely manner while also seeking out additional vendor relationships to diversify its supply chain. The Company has addressed the longer lead times by placing orders proactively with its vendors to align with current lead times. If the delays increase materially, the Company may re-prioritize some of its capital projects or experience higher operating expenses or capital costs. The Company believes it has sufficient liquidity and access to the capital markets if needed.

As a water and wastewater utility, it is the Company's mission to provide uninterrupted water and wastewater service. Due to the effect of COVID-19 on the general public, in compliance with an order from the PPUC, the Company paused shut-off procedures for delinquent customers on March 13, 2020. In addition, the Company stopped billing late payment charges. These customers were billed at normal tariff rates for the water they used, and wastewater service provided. As allowed by the PPUC, the Company resumed normal shut-off procedures and began billing late payment charges for most customers in January 2021. Remaining PPUC required customer protections specific to the COVID-19 pandemic fully expired on April 1, 2021 with the exception of the requirement to offer extended term payment agreements to certain "protected customers" as defined by PPUC order. Certain customers are eligible to receive utility assistance made available through federal relief funds through organizations not related to the Company.

The Company has begun to see demand by customer class revert back to close to pre-pandemic levels. However, the Company may continue to experience changes in demand as the response to this pandemic continues. The duration and magnitude of these changes is currently unknown and difficult to predict.

To date, there has been no material impact on the Company's workforce, operations, financial performance, liquidity, or supply chain as a result of COVID-19. However, the ultimate duration and severity of the pandemic or its effects on the economy, the capital and credit markets, or the Company's workforce, customers, and suppliers, as well as governmental and regulatory responses, are uncertain.

Results of Operations

Three Months Ended June 30, 2021 Compared
With Three Months Ended June 30, 2020

Net income for the second quarter of 2021 was $4,484, an increase of $302, or 7.2%, from net income of $4,182 for the same period of 2020. The primary contributing factors to the increase were higher operating revenues and lower income taxes which were partially offset by higher expenses.

Operating revenues for the second quarter of 2021 increased $481, or 3.6%, from $13,320 for the three months ended June 30, 2020 to $13,801 for the corresponding 2021 period. The increase was primarily due to growth in the customer base. The average number of water customers served in 2021 increased as compared to 2020 by 742 customers, from 68,790 to 69,532 customers. The average number of wastewater customers served in 2021 increased as compared to 2020 by 293 customers, from 3,028 to 3,321 customers, due to acquisitions during 2020. Total per capita consumption for the second quarter of 2021 was approximately 5.5% higher than the same period of last year, but residential demand decreased. Additional billing and revenue collection services also added to revenues.

Operating expenses for the second quarter of 2021 increased $872, or 12.4%, from $7,027 for the second quarter of 2020 to $7,899 for the corresponding 2021 period. The increase was primarily due to higher expenses of approximately $190 for wastewater treatment, $167 for insurance, $155 for depreciation, $138 for water treatment and distribution system maintenance, $130 for wages, and $32 for outside services. Other expenses increased by a net of $105. The increased expenses were partially offset by reduced expenses of $45 for purchased power.

Interest on debt for the second quarter of 2021 increased $66, or 5.7%, from $1,156 for the second quarter of 2020 to $1,222 for the corresponding 2021 period. The increase was primarily due to an increase in long-term debt outstanding. The average debt outstanding under the lines of credit was $8,416 for the second quarter of 2021 and $9,149 for the second quarter of 2020. The weighted average interest rate on the lines of credit was 1.30% for the quarter ended June 30, 2021 and 1.73% for the quarter ended June 30, 2020.

Allowance for funds used during construction increased $197, from $114 in the second quarter of 2020 to $311 in the corresponding 2021 period due to a higher volume of eligible construction.

Other income (expenses), net for the second quarter of 2021 reflects decreased expenses of $77 as compared to the same period of 2020. Higher earnings on life insurance policies of approximately $36 and lower charitable contributions of $32 were the primary reasons for the decrease. Other expenses decreased by a net of $9.

Income taxes for the second quarter of 2021 decreased $448, or 73.7%, compared to the same period of 2020 primarily due to higher deductions from the Internal Revenue Service, or IRS, tangible property regulations, or TPR. The Company's effective tax rate was 3.4% for the second quarter of 2021 and 12.7% for the second quarter of 2020.

Six Months Ended June 30, 2021 Compared
With Six Months Ended June 30, 2020

Net income for the first six months of 2021 was $8,189, an increase of $5, or 0.1%, from net income of $8,184 for the same period of 2020. The primary contributing factors to the increase were lower income taxes and higher operating revenues which were partially offset by higher expenses and a prior year gain on life insurance, not repeated this year.

Operating revenues for the first six months of 2021 increased $685, or 2.6%, from $26,197 for the six months ended June 30, 2020 to $26,882 for the corresponding 2021 period. The increase was primarily due to growth in the customer base. The average number of water customers served in 2021 increased as compared to 2020 by 782 customers, from 68,688 to 69,470 customers. The average number of wastewater customers served in 2021 increased as compared to 2020 by 319 customers, from 2,989 to 3,308 customers, due to acquisitions during 2020. Total per capita consumption for the first six months of 2021 was approximately 2.7% higher than the same period of last year, but residential demand decreased. Additional billing and revenue collection services also added to revenues. For the remainder of the year, the Company expects revenues to show a modest increase due to the distribution system improvement charge, or DSIC, allowed by the PPUC. The DSIC allows the Company to add a charge to customers' water bills for qualified replacement costs of certain infrastructure without submitting a rate filing. An increase in the number of water and wastewater customers from acquisitions and growth within the Company's service territory are also expected to add to revenues. The duration and severity of the COVID-19 pandemic including any resulting economic slowdown or changes in consumption patterns could impact results. Other regulatory actions and weather patterns could also impact results.

Operating expenses for the first six months of 2021 increased $1,338, or 9.4%, from $14,288 for the first six months of 2020 to $15,626 for the corresponding 2021 period. The increase was primarily due to higher expenses of approximately $305 for depreciation, $285 for wastewater treatment, $234 for insurance, $217 for water treatment and distribution system maintenance, $154 for wages, $51 for billing and revenue collection services, and $49 for outside services. Other expenses increased by a net of $127. The increased expenses were partially offset by reduced expenses of $84 for purchased power. For the remainder of the year, the Company expects depreciation expense to continue to rise due to additional investment in utility plant, and other expenses to increase at a moderate rate as costs to treat water and wastewater, and to maintain and extend the distribution system, continue to rise.

Interest on debt for the first six months of 2021 increased $85, or 3.6%, from $2,351 for the first six months of 2020 to $2,436 for the corresponding 2021 period. The increase was primarily due to an increase in long-term debt outstanding. The average debt outstanding under the lines of credit was $7,623 for the first six months of 2021 and $8,804 for the first six months of 2020. The weighted average interest rate on the lines of credit was 1.30% for the six months ended June 30, 2021 and 2.28% for the six months ended June 30, 2020. Interest expense for the remainder of the year is expected to be slightly higher due to continued borrowings under the line of credit.

Allowance for funds used during construction increased $358, from $215 in the first six months of 2020 to $573 in the corresponding 2021 period due to a higher volume of eligible construction. Allowance for funds used during construction for the remainder of the year is expected to increase based on a projected increase in the amount of eligible construction.

A non-recurring gain on life insurance of $515 was recorded in the first six months of 2020 as a result of a death benefit from a life insurance policy. No similar gains are anticipated at this time.

Other income (expenses), net for the first six months of 2021 reflects decreased expenses of $101 as compared to the same period of 2020. Higher earnings on life insurance policies of approximately $60 and lower charitable contributions of $35 were the primary reasons for the decrease. Other expenses decreased by a net of $6. For the remainder of the year, other income (expenses) will be largely determined by the change in market returns and discount rates for retirement programs and related assets.

Income taxes for the first six months of 2021 decreased $725, or 61.6%, compared to the same period of 2020 primarily due to higher deductions from the IRS TPR. The Company's effective tax rate was 5.2% for the first six months of 2021 and 12.6% for the first six months of 2020. The Company's effective tax rate for the remainder of 2021 will largely be determined by the level of eligible asset improvements expensed for tax purposes under TPR each period.

Rate Matters

See Note 9 to the financial statements included herein for a discussion of rate matters.

Effective July 1, 2021, the Company's tariff included a distribution system improvement charge on revenues of 1.67%. A partial month of this surcharge is included in results of operations for the three and six months ended June 30, 2021 for bills rendered after July 1, 2021 that included June consumption.

The Company does not expect to file a rate increase request in 2021.

Acquisitions and Growth

On April 22, 2021, the Company signed an agreement to purchase the water assets and wastewater collection and treatment assets jointly owned by Letterkenny Industrial Development Authority and Franklin County General Authority in Letterkenny and Greene Townships, Franklin County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the first quarter of 2022 at which time the Company will add approximately 90 water and wastewater customers.

On May 27, 2020, the Company signed an agreement to purchase the water assets and wastewater collection and treatment assets of Country View Manor Community, LLC in Washington Township, York County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the first quarter of 2022 at which time the Company will add approximately 50 water and wastewater customers.

On March 4, 2019, the Company signed an agreement to purchase the wastewater collection assets of West Manheim Township in York County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in 2021 at which time the Company will add approximately 1,800 wastewater customers. These wastewater customers are currently water customers of the Company.

On October 8, 2013, the Company signed an agreement to purchase the wastewater collection and treatment assets of SYC WWTP, L.P. in Shrewsbury and Springfield Townships, York County, Pennsylvania. On July 1, 2020, the Company signed an agreement to purchase the Albright Trailer Park water assets and wastewater collection assets of R.T. Barclay, Inc. in Springfield Township, York County, Pennsylvania. Completion of the acquisitions is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the first quarter of 2022, at which time the Company will add approximately 90 combined wastewater customers and approximately 60 water customers through an interconnection with its current water distribution system. The wastewater customers of the Albright Trailer Park are currently served by SYC WWTP, L.P. and the water customers are currently served by the Company, each through a single customer connection to the park.

In total, these acquisitions are expected to be immaterial to Company results. The Company is also pursuing other bulk water contracts and acquisitions in and around its service territory to help offset any further declines in per capita water consumption and to grow its business.

On May 10, 2017, the Company signed an emergency interconnect agreement with Dallastown-Yoe Water Authority. The effectiveness of this agreement is contingent upon receiving approval from all required regulatory authorities. Approval is expected to be granted in 2022 at which time the Company will begin construction of a water main extension to a single point of interconnection and either supply a minimum agreed upon amount of water to the authority, receive a payment in lieu of water, or provide water during an emergency, at current tariff rates.

Capital Expenditures

For the six months ended June 30, 2021, the Company invested $16,043 in construction expenditures for routine items and an upgrade to the enterprise software system as well as various replacements and improvements to infrastructure. The Company was able to fund construction expenditures using internally-generated funds, line of credit borrowings, proceeds from its stock purchase plans and customer advances and contributions from developers, municipalities, customers, or builders.

The Company anticipates construction expenditures for the remainder of 2021 of approximately $16,500 exclusive of any potential acquisitions not yet approved. In addition to routine transmission and distribution projects, a portion of the anticipated expenditures will be for additional main extensions, an elevated water tank, completion of a wastewater treatment plant, and various replacements and improvements to infrastructure. The Company intends to use primarily internally-generated funds for its anticipated construction and fund the remainder through cash, line of credit borrowings, proceeds from its stock purchase plans and customer advances and contributions. Customer advances and contributions are expected to account for between 5% and 10% of funding requirements during the remainder of 2021. The Company believes it will have adequate credit facilities and access to the capital markets, if necessary, to meet its anticipated capital needs in the remainder of 2021.

Liquidity and Capital Resources

Cash

The Company manages its cash through a cash management account that is directly connected to its line of credit. Excess cash generated automatically pays down outstanding borrowings under the line of credit arrangement. If there are no outstanding borrowings, the cash is used as an earnings credit to reduce banking fees. Likewise, if additional funds are needed beyond what is generated internally for payroll, to pay suppliers, to fund capital expenditures, or to pay debt service, funds are automatically borrowed under the line of credit. As of June 30, 2021, the Company borrowed $10,035 on its line of credit and had a cash balance of $6. The cash and the cash management facility connected to the line of credit are expected to provide the necessary liquidity and funding for the Company's operations, capital expenditures, acquisitions, and potential buybacks of stock for the foreseeable future.

Accounts Receivable

The accounts receivable balance tends to follow the change in revenues but is also affected by the timeliness of payments by customers and the level of the reserve for doubtful accounts. For the three months ended June 30, 2021, a strengthening in the timeliness of payments, compared to the end of 2020, resulted in a decrease in accounts receivable – customers. A reserve is maintained at a level considered adequate to provide for losses that can be reasonably anticipated based on inactive accounts with outstanding balances. Management periodically evaluates the adequacy of the reserve based on past experience, agings of the receivables, adverse situations that may affect a customer’s ability to pay, current economic conditions, and other relevant factors. During 2021, management’s assessment included consideration of the COVID-19 pandemic along with past trends during times of economic instability and regulations from the PPUC regarding customer turn-offs and collections and determined its allowance for doubtful accounts should remain elevated compared to historical norms. If the status of these factors deteriorates, the Company may incur additional expenses for uncollectible accounts and experience a reduction in its internally-generated funds.

Internally-generated Funds

The amount of internally-generated funds available for operations and construction depends on the Company’s ability to obtain timely and adequate rate relief, changes in regulations including taxes, customers’ water usage, weather conditions, customer growth and controlled expenses. During the first six months of 2021, the Company generated $12,102 internally from operations as compared to the $9,747 it generated during the first six months of 2020, primarily due to higher net income when adjusted for the non-cash gain on life insurance in 2020 and a decrease in accounts receivable – customers due to a strengthening in the timeliness of payments.

Credit Lines

Historically, the Company has borrowed $15,000 to $20,000 under its lines of credit before refinancing with long-term debt or equity capital. As of June 30, 2021, the Company maintained an unsecured line of credit in the amount of $50,000 at an interest rate of LIBOR plus 1.05% with an unused commitment fee and an interest rate floor. The Company had $10,035 in outstanding borrowings under its line of credit as of June 30, 2021. The interest rate on the line of credit borrowings as of June 30, 2021 was 1.30%. Subsequent to June 30, 2021, the Company renewed its committed line of credit and extended the maturity date to September 2023.

The Company has taken steps to manage the risk of reduced credit availability. It has established a committed line of credit with an increase in the total amount available and a 2-year revolving maturity that cannot be called on demand. There is no guarantee that the Company will be able to obtain sufficient lines of credit with favorable terms in the future. If the Company is unable to obtain sufficient lines of credit or to refinance its line of credit borrowings with long-term debt or equity when necessary, it may have to eliminate or postpone capital expenditures. Management believes the Company will have adequate capacity under its current lines of credit to meet anticipated financing needs throughout 2021 and 2022.

Long-term Debt

The Company's loan agreements contain various covenants and restrictions. Management believes it is currently in compliance with all of these restrictions. See Note 6 to the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 for additional information regarding these restrictions.

The Company's total long-term debt as a percentage of the total capitalization, defined as total common stockholders' equity plus total long-term debt, was 46.8% as of June 30, 2021, compared with 46.9% as of December 31, 2020. The Company expects to allow the debt percentage to trend upward until it approaches fifty percent before considering additional equity. A debt to total capitalization ratio between forty-six and fifty percent has historically been acceptable to the PPUC in rate filings. Due to its ability to generate more cash internally, the Company has been able to keep its ratio below fifty percent.

The variable rate line of credit and the interest rate swap of the Company use the LIBOR as a benchmark for establishing the rates. The United Kingdom's Financial Conduct Authority, which regulates LIBOR, has announced that it intends to stop encouraging or compelling banks to submit rates for the calculation of LIBOR rates. For most LIBOR rates, the cessation date is expected to be June 30, 2023. The Company's line of credit agreement explicitly states that another index may be used if LIBOR is discontinued or otherwise unavailable. The Company believes that it is implicit in its other agreements that a successor rate to LIBOR may be used. The Company is not yet aware what successor rate will be used and therefore cannot estimate the impact to the Company's financial position, results of operations and cash flows, but it could include an increase in the cost of the variable rate indebtedness.

Income Taxes, Deferred Income Taxes and Uncertain Tax Positions

The Company filed for a change in accounting method under the IRS TPR effective in 2014. Under the change in accounting method, the Company is permitted to deduct the costs of certain asset improvements that were previously being capitalized and depreciated for tax purposes as an expense on its income tax return. This ongoing deduction results in a reduction in the effective income tax rate, a net reduction in income tax expense, and a reduction in the amount of income taxes currently payable. It also results in increases to deferred tax liabilities and regulatory assets representing the appropriate book and tax basis difference on capital additions. The Company expects to continue to expense these asset improvements in the future.

The Company's effective tax rate will largely be determined by the level of eligible asset improvements expensed for tax purposes that would have been capitalized for tax purposes prior to the implementation of TPR.

The Company has a substantial deferred income tax asset primarily due to the excess accumulated deferred income taxes on accelerated depreciation from the 2017 Tax Act and the differences between the book and tax balances of the customers' advances for construction and contributions in aid of construction and deferred compensation plans. The Company does not believe a valuation allowance is required due to the expected generation of future taxable income during the periods in which those temporary differences become deductible.

The Company has seen an increase in its deferred income tax liability amounts primarily as a result of the accelerated depreciation deduction available for federal tax purposes which creates differences between book and tax depreciation expense. The Company expects this trend to continue as it makes significant investments in capital expenditures subject to accelerated depreciation or TPR.

The Company has determined there are no uncertain tax positions that require recognition as of June 30, 2021.

Common Stock
Common stockholders' equity as a percent of the total capitalization was 53.2% as of June 30, 2021, compared with 53.1% as of December 31, 2020. The volume of share repurchases and higher debt from capital expenditures, among other things, could reduce this percentage in the future. It is the Company's general intent to target a ratio between fifty and fifty-four percent.

Credit Rating
On October 21, 2020, Standard & Poor's affirmed the Company's credit rating at A-, with a stable outlook and adequate liquidity. The Company's ability to maintain its credit rating depends, among other things, on adequate and timely rate relief, which it has been successful in obtaining, its ability to fund capital expenditures in a balanced manner using both debt and equity and its ability to generate cash flow. The Company's objectives are to continue to maximize its funds provided by operations and maintain a strong capital structure in order to be able to attract capital.

Physical and Cyber Security

The Company maintains security measures at its facilities, and collaborates with federal, state, and local authorities and industry trade associations regarding information on possible threats and security measures for water and wastewater utility operations. The costs incurred are expected to be recoverable in water and wastewater rates and are not expected to have a material impact on its business, financial condition, or results of operations.

The Company relies on information technology systems in connection with the operation of the business, especially with respect to customer service, billing, accounting, and in some cases, the monitoring and operation of treatment, storage, and pumping facilities. In addition, the Company relies on these systems to track utility assets and to manage maintenance and construction projects, materials and supplies, and human resource functions. The information technology systems may be vulnerable to damage or interruption from cyber security attacks or other cyber-related events, including, but not limited to, power loss, computer systems failures, internet, telecommunications or data network failures, physical and electronic loss of data, computer viruses, intentional security breaches, hacking, denial of service actions, misappropriation of data, and similar events. In some cases, administration of certain functions may be outsourced to third-party service providers that could also be targets of cyber security attacks. A loss of these systems, or major problems with the operation of these systems, could harm the business, financial condition, and results of operations of the Company through the loss or compromise of customer, financial, employee, or operational data, disruption of billing, collections or normal field service activities, disruption of electronic monitoring and control of operational systems, and delays in financial reporting and other normal management functions.

Possible impacts associated with a cyber security attack or other events may include remediation costs related to lost, stolen, or compromised data, repairs to data processing systems, increased cyber security protection costs, adverse effects on our compliance with regulatory and environmental laws and regulation, including standards for drinking water, litigation, and reputational damage.

The Company has implemented processes, procedures, and controls to prevent or limit the effect of these possible events, and maintains insurance to help defray costs associated with cyber security attacks. The Company has not experienced a material impact on business or operations from these attacks. Although the Company does not believe its systems are at a materially greater risk of cyber security attacks than other similar organizations and despite the implementation of robust security measures, the Company cannot provide assurance that the insurance will fully cover the costs of a cyber security event, and its robust security measures do not guarantee that reputation and financial results will not be adversely affected by such an incident.

Environmental Matters

The Company entered into a consent order agreement with the Pennsylvania Department of Environmental Protection in December 2016 after the Company determined it exceeded the action level for lead as established by the Lead and Copper Rule, or LCR, issued by the U.S. Environmental Protection Agency. The Company did not have an exceedance in any subsequent compliance test. Under the agreement, the Company successfully completed its commitment to exceed the LCR replacement schedule by replacing all the known company-owned lead service lines within four years from the agreement. Any additional company-owned lead service lines that are discovered will be replaced and included in utility plant but are not expected to have a material impact on the financial position of the Company.

The Company was granted approval by the PPUC to modify its tariff to include the cost of the annual replacement of up to 400 lead customer-owned service lines over nine years from the agreement. The tariff modification allows the Company to replace customer-owned service lines at its own initial cost. The Company will record the costs as a regulatory asset to be recovered in future base rates to customers, over a four-year period. The cost for the customer-owned lead service line replacements was approximately $1,258 and $1,204 through June 30, 2021 and December 31, 2020, respectively, and is included as a regulatory asset. Based on its experience, the Company estimates that lead customer-owned service lines replacements will cost $1,500. This estimate is subject to adjustment as more facts become available.

Critical Accounting Estimates

The methods, estimates, and judgments the Company used in applying its accounting policies have a significant impact on the results reported in its financial statements. The Company's accounting policies require management to make subjective judgments because of the need to make estimates of matters that are inherently uncertain. The Company's most critical accounting estimates include regulatory assets and liabilities, revenue recognition, accounting for its pension plans, and income taxes. There has been no significant change in accounting estimates or the method of estimation during the quarter ended June 30, 2021.

Off-Balance Sheet Arrangements

The Company does not use off-balance sheet transactions, arrangements or obligations that may have a material current or future effect on financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenues or expenses. The Company does not use securitization of receivables or unconsolidated entities. For risk management purposes, the Company uses a derivative financial instrument, an interest rate swap agreement discussed in Note 5 to the financial statements included herein. The Company does not engage in trading or other risk management activities, does not use other derivative financial instruments for any purpose, has no guarantees and does not have material transactions involving related parties.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's President and Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, the Company's President and Chief Executive Officer along with the Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report are effective such that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to the Company's management, including the President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

No change in the Company's internal control over financial reporting occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 6. Exhibits.

Exhibit No.	Description
3	Amended and Restated Articles of Incorporation. Incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 4, 2010.
3.1	Amended and Restated By-Laws. Incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 26, 2012.
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE YORK WATER COMPANY

Date: August 5, 2021	/s/ Joseph T. Hand Joseph T. Hand Principal Executive Officer
Date: August 5, 2021	/s/ Matthew E. Poff Matthew E. Poff Principal Financial and Accounting Officer

EXHIBIT 31.1
CERTIFICATIONS

I, Joseph T. Hand, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The York Water Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2021

/s/ Joseph T. Hand
Joseph T. Hand
President and CEO

EXHIBIT 31.2
CERTIFICATIONS

I, Matthew E. Poff, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The York Water Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2021

/s/ Matthew E. Poff
Matthew E. Poff
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The York Water Company (the “Company”) on Form 10-Q for the period ending June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph T. Hand, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

THE YORK WATER COMPANY

Date: August 5, 2021

/s/ Joseph T. Hand
Joseph T. Hand
Chief Executive Officer

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of The York Water Company (the “Company”) on Form 10-Q for the period ending June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew E. Poff, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

THE YORK WATER COMPANY

Date: August 5, 2021

/s/ Matthew E. Poff
Matthew E. Poff
Chief Financial Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2021

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________to____________

Commission file number 001-34245

THE YORK WATER COMPANY
(Exact name of registrant as specified in its charter)

"That good York water"
SINCE 1816

Pennsylvania	23-1242500
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
130 East Market Street, York, Pennsylvania	17401
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (717) 845-3601

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, No par value	YORW	The NASDAQ Global Select Market
(Title of Class)	(Trading Symbol)	(Name of Each Exchange on Which Registered)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Small reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, No par value 13,104,609 Shares outstanding
as of November 5, 2021

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THE YORK WATER COMPANY

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Balance Sheets (Unaudited)
(In thousands of dollars, except per share amounts)

	Sep. 30, 2021	Dec. 31, 2020
ASSETS		
UTILITY PLANT, at original cost	$ 467,343	$ 438,670
Plant acquisition adjustments	(3,657)	(3,707)
Accumulated depreciation	(96,123)	(91,340)
Net utility plant	367,563	343,623
OTHER PHYSICAL PROPERTY, net of accumulated depreciation of $477 in 2021 and $458 in 2020	723	742
CURRENT ASSETS:		
Cash and cash equivalents	1	2
Restricted cash	-	5,000
Accounts receivable, net of reserves of $856 in 2021 and $655 in 2020	3,935	5,184
Unbilled revenues	3,047	2,847
Recoverable income taxes	21	721
Materials and supplies inventories, at cost	1,379	1,010
Prepaid expenses	1,790	1,526
Total current assets	10,173	16,290
OTHER LONG-TERM ASSETS:		
Prepaid pension cost	4,598	2,209
Note receivable	255	255
Deferred regulatory assets	43,151	39,893
Other assets	4,285	3,945
Total other long-term assets	52,289	46,302
Total Assets	**$ 430,748**	**$ 406,957**

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Balance Sheets (Unaudited)
(In thousands of dollars, except per share amounts)

	Sep. 30, 2021	Dec. 31, 2020
STOCKHOLDERS' EQUITY AND LIABILITIES		
COMMON STOCKHOLDERS' EQUITY:		
Common stock, no par value, authorized 46,500,000 shares, issued and outstanding 13,102,924 shares in 2021 and 13,060,817 shares in 2020	$ 87,714	$ 85,935
Retained earnings	62,946	57,317
Total common stockholders' equity	150,660	143,252
PREFERRED STOCK, authorized 500,000 shares, no shares issued	-	-
LONG-TERM DEBT	132,197	123,573
COMMITMENTS	-	-
CURRENT LIABILITIES:		
Accounts payable	7,455	6,540
Dividends payable	2,202	2,192
Accrued compensation and benefits	1,519	1,417
Accrued interest	1,068	959
Deferred regulatory liabilities	607	525
Other accrued expenses	360	360
Total current liabilities	13,211	11,993
DEFERRED CREDITS:		
Customers' advances for construction	11,358	10,326
Deferred income taxes	46,922	43,538
Deferred employee benefits	4,834	4,793
Deferred regulatory liabilities	27,905	25,444
Other deferred credits	2,203	2,731
Total deferred credits	93,222	86,832
Contributions in aid of construction	41,458	41,307
Total Stockholders' Equity and Liabilities	**$ 430,748**	**$ 406,957**

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Income (Unaudited)
(In thousands of dollars, except per share amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	**2020**	**2021**	**2020**
OPERATING REVENUES:	$ 14,503	$ 14,257	$ 41,385	$ 40,454
OPERATING EXPENSES:				
Operation and maintenance	2,997	2,659	8,752	7,940
Administrative and general	2,292	2,257	7,144	6,573
Depreciation and amortization	2,223	2,046	6,595	6,113
Taxes other than income taxes	307	274	954	898
	7,819	7,236	23,445	21,524
Operating income	6,684	7,021	17,940	18,930
OTHER INCOME (EXPENSES):				
Interest on debt	(1,237)	(1,152)	(3,673)	(3,503)
Allowance for funds used during construction	310	115	883	330
Other pension costs	(304)	(341)	(911)	(1,022)
Gain on life insurance	-	-	-	515
Other income (expenses), net	(34)	(41)	(179)	(287)
	(1,265)	(1,419)	(3,880)	(3,967)
Income before income taxes	5,419	5,602	14,060	14,963
Income taxes	625	898	1,077	2,075
Net Income	**$ 4,794**	**$ 4,704**	**$ 12,983**	**$ 12,888**
Basic Earnings Per Share	**$ 0.36**	**$ 0.36**	**$ 0.99**	**$ 0.99**
Diluted Earnings Per Share	**$ 0.36**	**$ 0.36**	**$ 0.99**	**$ 0.99**

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Common Stockholders' Equity (Unaudited)
(In thousands of dollars, except per share amounts)
For the Periods Ended September 30, 2021 and 2020

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total
Balance, June 30, 2021	13,090,055	$ 87,100	$ 60,606	$ 147,706
Net income	-	-	4,794	4,794
Cash dividends declared, $0.1874 per share	-	-	(2,454)	(2,454)
Issuance of common stock under dividend reinvestment, direct stock and employee stock purchase plans	12,869	568	-	568
Stock-based compensation	-	46	-	46
Balance, September 30, 2021	13,102,924	$ 87,714	$ 62,946	$ 150,660
Balance, December 31, 2020	13,060,817	$ 85,935	$ 57,317	$ 143,252
Net income	-	-	12,983	12,983
Cash dividends declared, $0.5622 per share	-	-	(7,354)	(7,354)
Issuance of common stock under dividend reinvestment, direct stock and employee stock purchase plans	35,937	1,612	-	1,612
Stock-based compensation	6,170	167	-	167
Balance, September 30, 2021	13,102,924	$ 87,714	$ 62,946	$ 150,660

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total
Balance, June 30, 2020	13,033,999	$ 84,872	$ 53,700	$ 138,572
Net income	-	-	4,704	4,704
Cash dividends declared, $0.1802 per share	-	-	(2,351)	(2,351)
Issuance of common stock under dividend reinvestment, direct stock and employee stock purchase plans	10,326	429	-	429
Stock-based compensation	4,912	74	-	74
Balance, September 30, 2020	13,049,237	$ 85,375	$ 56,053	$ 141,428
Balance, December 31, 2019	13,014,898	$ 83,976	$ 50,209	$ 134,185
Net income	-	-	12,888	12,888
Cash dividends declared, $0.5406 per share	-	-	(7,044)	(7,044)
Issuance of common stock under dividend reinvestment, direct stock and employee stock purchase plans	29,427	1,273	-	1,273
Stock-based compensation	4,912	126	-	126
Balance, September 30, 2020	13,049,237	$ 85,375	$ 56,053	$ 141,428

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Cash Flows (Unaudited)
(In thousands of dollars, except per share amounts)

	Nine Months Ended September 30 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 12,983	$ 12,888
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on life insurance	-	(515)
Depreciation and amortization	6,595	6,113
Stock-based compensation	167	126
Increase in deferred income taxes	53	93
Other	46	342
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable and unbilled revenues	745	(1,657)
Decrease in recoverable income taxes	700	497
Increase in materials and supplies, prepaid expenses, prepaid pension cost, regulatory and other assets	(6,911)	(6,184)
Increase in accounts payable, accrued compensation and benefits, accrued expenses, deferred employee benefits, regulatory liabilities, and other deferred credits	3,989	4,449
Increase in accrued interest	109	154
Net cash provided by operating activities	18,476	16,306
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility plant additions, including debt portion of allowance for funds used during construction of $493 in 2021 and $184 in 2020	(27,434)	(15,973)
Acquisitions of wastewater systems	-	(1,158)
Cash received from surrender of life insurance policies	-	672
Net cash used in investing activities	(27,434)	(16,459)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Customers' advances for construction and contributions in aid of construction	1,955	2,760
Repayments of customer advances	(772)	(225)
Proceeds of long-term debt issues	37,452	53,671
Debt issuance costs	-	(162)
Repayments of long-term debt	(28,960)	(37,843)
Changes in cash overdraft position	14	(1,384)
Issuance of common stock	1,612	1,273
Dividends paid	(7,344)	(7,038)
Net cash provided by financing activities	3,957	11,052
Net change in cash, cash equivalents, and restricted cash	(5,001)	10,899
Cash, cash equivalents, and restricted cash at beginning of period	5,002	2
Cash and cash equivalents at end of period	$ 1	$ 10,901
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	$ 2,936	$ 3,029
Income taxes	217	1,753

Supplemental disclosure of non-cash investing and financing activities:
Accounts payable includes $3,562 in 2021 and $3,647 in 2020 for the construction of utility plant.
Contributions in aid of construction includes $1,024 in 2020 recorded as part of the Felton Borough acquisition.

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Notes to Interim Financial Statements
(In thousands of dollars, except per share amounts)

1. Basis of Presentation

The interim financial statements are unaudited but, in the opinion of management, reflect all adjustments, consisting of only normal recurring accruals, necessary for a fair presentation of results for such periods. Because the financial statements cover an interim period, they do not include all disclosures and notes normally provided in annual financial statements, and therefore, should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Operating results for the three and nine months ended September 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. Additionally, based on the duration and severity of the novel coronavirus ("COVID-19") pandemic, the Company is uncertain of the ultimate impact it could have on the business.

2. Accounts Receivable and Contract Assets

Accounts receivable and contract assets are summarized in the following table:

	As of Sep. 30, 2021	As of Dec. 31, 2020	Change
Accounts receivable – customers	$4,716	$5,633	$(917)
Other receivables	75	206	(131)
	4,791	5,839	(1,048)
Less: allowance for doubtful accounts	(856)	(655)	(201)
Accounts receivable, net	$3,935	$5,184	$(1,249)
Unbilled revenue	$3,047	$2,847	$200

Differences in timing of revenue recognition, billings, and cash collections result in receivables and contract assets. Generally, billing occurs subsequent to revenue recognition, resulting in a contract asset reported as unbilled revenue on the balance sheet. The Company does not receive advances or deposits from customers before revenue is recognized so no contract liabilities are reported. Accounts receivable are recorded when the right to consideration becomes unconditional and are presented separately on the balance sheet. The changes in accounts receivable – customers and in unbilled revenue were primarily due to normal timing difference between performance and the customer's payments.

3. Common Stock and Earnings Per Share

Net income of $4,794 and $4,704 for the three months ended September 30, 2021 and 2020, respectively, and $12,983 and $12,888 for the nine months ended September 30, 2021 and 2020, respectively, is used to calculate both basic and diluted earnings per share. Basic earnings per share is based on the weighted average number of common shares outstanding. Diluted earnings per share is based on the weighted average number of common shares outstanding plus potentially dilutive shares. The dilutive effect of employee stock-based compensation is included in the computation of diluted earnings per share and is calculated using the treasury stock method and expected proceeds upon exercise or issuance of the stock-based compensation.

The following table summarizes the shares used in computing basic and diluted earnings per share.

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	**2020**	**2021**	**2020**
Weighted average common shares, basic	13,083,762	13,032,389	13,069,582	13,021,398
Effect of dilutive securities:				
Employee stock-based compensation	563	1,164	347	565
Weighted average common shares, diluted	13,084,325	13,033,553	13,069,929	13,021,963

On March 11, 2013, the Board of Directors, or the Board, authorized a share repurchase program granting the Company authority to repurchase up to 1,200,000 shares of the Company's common stock from time to time. The stock repurchase program has no specific end date and the Company may repurchase shares in the open market or through privately negotiated transactions. The Company may suspend or discontinue the repurchase program at any time. No shares were repurchased during the three or nine months ended September 30, 2021 and 2020. As of September 30, 2021, 618,004 shares remain authorized for repurchase.

4. Debt

	As of Sep. 30, 2021	**As of Dec. 31. 2020**
8.43% Senior Notes, Series D, due 2022	$7,500	$7,500
Variable Rate Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series 2008A, due 2029	12,000	12,000
3.00% Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series A of 2019, due 2036	10,500	10,500
3.10% Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series B of 2019, due 2038	14,870	14,870
3.23% Senior Notes, due 2040	15,000	15,000
4.00% - 4.50% York County Industrial Development Authority Exempt Facilities Revenue Bonds, Series 2015, due 2029 - 2045	10,000	10,000
4.54% Senior Notes, due 2049	20,000	20,000
3.24% Senior Notes, due 2050	30,000	30,000
Committed Line of Credit, due September 2023	15,192	6,700
Total long-term debt	135,062	126,570
Less discount on issuance of long-term debt	(172)	(181)
Less unamortized debt issuance costs	(2,693)	(2,816)
Long-term portion	$132,197	$123,573

In the third quarter of 2021, the Company renewed its committed line of credit and extended the maturity date to September 2023.

5. Interest Rate Swap Agreement

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. The Company utilizes an interest rate swap agreement to effectively convert the Company's $12,000 variable-rate debt issue to a fixed rate. Interest rate swaps are contracts in which a series of interest rate cash flows are exchanged over a prescribed period. The notional amount on which the interest payments are based ($12,000) is not exchanged. The interest rate swap provides that the Company pays the counterparty a fixed interest rate of 3.16% on the notional amount of $12,000. In exchange, the counterparty pays the Company a variable interest rate based on 59% of the U.S. Dollar one-month LIBOR rate on the notional amount. The intent is for the variable rate received from the swap counterparty to approximate the variable rate the Company pays to bondholders on its variable rate debt issue, resulting in a fixed rate being paid to the swap counterparty and reducing the Company's interest rate risk. The Company's net payment rate on the swap was 3.13% and 3.08% for the three months ended September 30, 2021 and 2020, respectively, and 3.06% and 2.76% for the nine months ended September 30, 2021 and 2020, respectively.

The interest rate swap agreement is classified as a financial derivative used for non-trading activities. The accounting standards regarding accounting for derivatives and hedging activities require companies to recognize all derivative instruments as either assets or liabilities at fair value on the balance sheet. In accordance with the standards, the interest rate swap is recorded on the balance sheet in other deferred credits at fair value (see Note 6).

The Company uses regulatory accounting treatment rather than hedge accounting to defer the unrealized gains and losses on its interest rate swap. These unrealized gains and losses are recorded as a regulatory asset. Based on current ratemaking treatment, the Company expects the unrealized gains and losses to be recognized in rates as a component of interest expense as the swap settlements occur. Swap settlements are recorded in the income statement with the hedged item as interest expense. Swap settlements resulted in the reclassification from regulatory assets to interest expense of $94 and $93 for the three months ended September 30, 2021 and 2020, respectively, and $278 and $249 for the nine months ended September 30, 2021 and 2020, respectively. The overall swap result was a (gain) loss of $(31) and $10 for the three months ended September 30, 2021 and 2020, respectively, and $(250) and $911 for the nine months ended September 30, 2021 and 2020, respectively. The Company expects to reclassify $371 from regulatory assets to interest expense as a result of swap settlements over the next 12 months.

The interest rate swap agreement contains provisions that require the Company to maintain a credit rating of at least BBB- with Standard & Poor's. If the Company's rating were to fall below this rating, it would be in violation of these provisions, and the counterparty to the derivative could request immediate payment if the derivative was in a liability position. On October 8, 2021, Standard & Poor's affirmed the Company's credit rating at A-, with a stable outlook and adequate liquidity. The Company's interest rate swap was in a liability position as of September 30, 2021. If a violation due to credit rating, or some other default provision, were triggered on September 30, 2021, the Company would have been required to pay the counterparty approximately $2,232.

The interest rate swap will expire on October 1, 2029. Other than the interest rate swap, the Company has no other derivative instruments.

6. Fair Value of Financial Instruments

The accounting standards regarding fair value measurements establish a fair value hierarchy which indicates the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs include quoted prices for identical instruments and are the most observable. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, commodity rates and yield curves. Level 3 inputs are not observable in the market and include management's own judgments about the assumptions market participants would use in pricing the asset or liability.

The Company has recorded its interest rate swap liability at fair value in accordance with the standards. The liability is recorded under the caption "Other deferred credits" on the balance sheet. The table below illustrates the fair value of the interest rate swap as of the end of the reporting period.

Description	September 30, 2021	Fair Value Measurements at Reporting Date Using Significant Other Observable Inputs (Level 2)
Interest Rate Swap	$2,203	$2,203

Fair values are measured as the present value of all expected future cash flows based on the LIBOR-based swap yield curve as of the date of the valuation. These inputs to this calculation are deemed to be Level 2 inputs. The balance sheet carrying value reflects the Company's credit quality as of September 30, 2021. The rate used in discounting all prospective cash flows anticipated to be made under this swap reflects a representation of the yield to maturity for 30-year debt on utilities rated A- as of September 30, 2021. The use of the Company's credit rating resulted in a reduction in the fair value of the swap liability of $29 as of September 30, 2021. The fair value of the swap reflecting the Company's credit quality as of December 31, 2020 is shown in the table below.

Description	December 31, 2020	Fair Value Measurements at Reporting Date Using Significant Other Observable Inputs (Level 2)
Interest Rate Swap	$2,731	$2,731

The carrying amount of current assets and liabilities that are considered financial instruments approximates fair value as of the dates presented. The Company's total long-term debt, with a carrying value of $135,062 at September 30, 2021, and $126,570 at December 31, 2020, had an estimated fair value of approximately $150,000 and $151,000, respectively. The estimated fair value of debt was calculated using a discounted cash flow technique that incorporates a market interest yield curve with adjustments for duration and risk profile. These inputs to this calculation are deemed to be Level 2 inputs. The Company recognized its credit rating in determining the yield curve and did not factor in third party credit enhancements including the letter of credit on the 2008 Pennsylvania Economic Development Financing Authority Series A issue.

Customers' advances for construction and note receivable had carrying values at September 30, 2021 of $11,358 and $255, respectively. At December 31, 2020, customers' advances for construction and note receivable had carrying values of $10,326 and $255, respectively. The relative fair values of these amounts cannot be accurately estimated since the timing of future payment streams is dependent upon several factors, including new customer connections, customer consumption levels and future rate increases.

7. Commitments

The Company entered into a consent order agreement with the Pennsylvania Department of Environmental Protection in December 2016 after the Company determined it exceeded the action level for lead as established by the Lead and Copper Rule, or LCR, issued by the U.S. Environmental Protection Agency. The Company did not have an exceedance in any subsequent compliance test. Under the agreement, the Company successfully completed its commitment to exceed the LCR replacement schedule by replacing all the known company-owned lead service lines within four years from the agreement. Any additional company-owned lead service lines that are discovered will be replaced and included in utility plant but are not expected to have a material impact on the financial position of the Company.

The Company was granted approval by the Pennsylvania Public Utility Commission, or PPUC, to modify its tariff to include the cost of the annual replacement of up to 400 lead customer-owned service lines over nine years from the agreement. The tariff modification allows the Company to replace customer-owned service lines at its own initial cost. The Company will record the costs as a regulatory asset to be recovered in future base rates to customers, over a four-year period. The cost for the customer-owned lead service line replacements was approximately $1,307 and $1,204 through September 30, 2021 and December 31, 2020, respectively, and is included as a regulatory asset. Based on its experience, the Company estimates that lead customer-owned service lines replacements will cost $1,500. This estimate is subject to adjustment as more facts become available.

8. Revenue

The following table shows the Company's revenues disaggregated by service and customer type.

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	**2020**	**2021**	**2020**
Water utility service:				
Residential	$8,872	$8,902	$25,560	$25,643
Commercial and industrial	3,952	3,774	10,891	10,331
Fire protection	827	795	2,428	2,379
Wastewater utility service:				
Residential	481	446	1,426	1,281
Commercial and industrial	79	78	237	229
Billing and revenue collection services	121	118	360	147
Collection services	18	-	29	14
Other revenue	18	4	38	14
Total Revenue from Contracts with Customers	14,368	14,117	40,969	40,038
Rents from regulated property	135	140	416	416
Total Operating Revenue	$14,503	$14,257	$41,385	$40,454

Utility Service

The Company provides utility service as a distinct and single performance obligation to each of its water and wastewater customers. The transaction price is detailed in the tariff pursuant to an order by the PPUC and made publicly available. There is no variable consideration and no free service, special rates, or subnormal charges to any customer. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied over time through the continuous provision of utility service through a stand-ready obligation to perform and the transfer of water or the collection of wastewater through a series of distinct transactions that are identical in nature and have the same pattern of transfer to the customer. The Company uses an output method to recognize the utility service revenue over time. The stand-ready obligation is recognized through the passage of time in the form of a fixed charge and the transfer of water or the collection of wastewater is recognized at a per unit rate based on the actual or estimated flow through the meter. Each customer is invoiced every month and the invoice is due within twenty days. The utility service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period. A contract asset for unbilled revenue is recognized for the passage of time and the actual or estimated usage from the latest meter reading to the end of the accounting period. The methodology is standardized and consistently applied to reduce bias and the need for judgment.

Billing and Revenue Collection Service

The Company provides billing and revenue collection service as distinct performance obligations to three municipalities within the service territory of the Company. The municipalities provide wastewater service to their residents and the Company acts as the billing and revenue collection agent for the municipalities. The transaction price is a fixed amount per bill prepared as established in the contract. There is no variable consideration. Due to the fact that both the billing performance obligation and the revenue collection performance obligation are materially complete by the end of the reporting period, the Company does not allocate the transaction price between the two performance obligations. The performance obligations are satisfied at a point in time when the bills are sent as the municipalities receive all the benefits and bears all of the risk of non-collection at that time. Each municipality is invoiced when the bills are complete and the invoice is due within thirty days. The billing and revenue collection service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period.

Collection Service

The Company provides collection service as a distinct and single performance obligation to several municipalities within the service territory of the Company. The municipalities provide wastewater service to their residents. If those residents are delinquent in paying for their wastewater service, the municipalities request that the Company post for and shut off the supply of water to the premises of those residents. When the resident is no longer delinquent, the Company will restore water service to the premises. The transaction price for each posting, each shut off, and each restoration is a fixed amount as established in the contract. There is no variable consideration. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied at a point in time when the posting, shut off, or restoration is completed as the municipalities receive all the benefits in the form of payment or no longer providing wastewater service. Each municipality is invoiced periodically for the posting, shut offs, and restorations that have been completed since the last billing and the invoice is due within thirty days. The collection service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period. A contract asset for unbilled revenue is recognized for postings, shut offs, and restorations that have been completed from the last billing to the end of the accounting period.

Service Line Protection Plan

The Company provides service line protection as a distinct and single performance obligation to current water customers that choose to participate. The transaction price is detailed in the plan’s terms and conditions and made publicly available. There is no variable consideration. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied over time through the continuous provision of service line protection through a stand-ready obligation to perform. The Company uses an output method to recognize the service line protection revenue over time. The stand-ready obligation is recognized through the passage of time. A customer has a choice to prepay for an entire year or to pay in advance each month. The service line protection plan has no returns or extended warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no material performance obligations remain unsatisfied as of the end of the reporting period.

9. Rate Matters

From time to time, the Company files applications for rate increases with the PPUC and is granted rate relief as a result of such requests. Most recently, the PPUC authorized an increase in rates effective March 1, 2019.

The PPUC permits water utilities to collect a distribution system improvement charge, or DSIC. The DSIC allows the Company to add a charge to customers' bills for qualified replacement costs of certain infrastructure without submitting a rate filing. This surcharge mechanism typically adjusts periodically based on additional qualified capital expenditures completed or anticipated in a future period. The DSIC is capped at 5% of base rates and is reset to zero when new base rates that reflect the costs of those additions become effective or when a utility's earnings exceed a regulatory benchmark. The Company's earnings are currently below the regulatory benchmark allowing the Company to collect DSIC. The DSIC provided revenues of $255 and $280 for the three and nine months ended September 30, 2021, respectively, and revenues of $0 for the three and nine months ended September 30, 2020.

10. Pensions

Components of Net Periodic Pension Cost

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	**2020**	**2021**	**2020**
Service cost	$271	$234	$814	$703
Interest cost	302	365	906	1,093
Expected return on plan assets	(913)	(800)	(2,739)	(2,399)
Amortization of actuarial loss	121	92	363	277
Amortization of prior service cost	(3)	(3)	(9)	(9)
Rate-regulated adjustment	797	687	2,390	2,060
Net periodic pension expense	$575	$575	$1,725	$1,725

Pension service cost is recorded in operating expenses. All other components of net periodic pension cost are recorded as other pension costs in other income (expenses).

Employer Contributions

The Company previously disclosed in its financial statements for the year ended December 31, 2020 that it expected to contribute $2,300 to its pension plans in 2021. For the nine months ended September 30, 2021, contributions of $1,725 have been made. The Company expects to contribute the remaining $575 during the final quarter of 2021.

11. Stock-Based Compensation

On May 2, 2016, the Company's stockholders approved The York Water Company Long-Term Incentive Plan, or LTIP. The LTIP was adopted to provide the incentive of long-term stock-based awards to officers, directors, and key employees. The LTIP provides for the granting of nonqualified stock options, incentive stock options, stock appreciation rights, performance restricted stock grants and units, restricted stock grants and units, and unrestricted stock grants. A maximum of 100,000 shares of common stock may be issued under the LTIP over the ten-year life of the plan. The maximum number of shares of common stock subject to awards that may be granted to any participant in any one calendar year is 2,000. Shares of common stock issued under the LTIP may be treasury shares or authorized but unissued shares. The LTIP will be administered by the Compensation Committee of the Board, or the full Board, provided that the full Board will administer the LTIP as it relates to awards to non-employee directors of the Company. The Company filed a registration statement with the Securities and Exchange Commission on May 11, 2016 covering the offering of stock under the LTIP. The LTIP was effective on July 1, 2016.

On August 19, 2019, the Board accelerated the vesting period for restricted stock granted in 2017, 2018, and 2019 to one retiring officer from three years to that officer's 2020 retirement date, which had been fully recognized as of March 31, 2020.

On May 3, 2021, the Board awarded stock to non-employee directors effective May 3, 2021. This stock award vested immediately. On May 3, 2021, the Compensation Committee awarded restricted stock to officers and key employees effective May 3, 2021. This restricted stock award vests ratably over three years beginning May 3, 2021.

The restricted stock awards provide the grantee with the rights of a shareholder, including the right to receive dividends and to vote such shares, but not the right to sell or otherwise transfer the shares during the restriction period. As a result, the awards are included in common shares outstanding on the balance sheet. Restricted stock awards result in compensation expense valued at the fair market value of the stock on the date of the grant and are amortized ratably over the restriction period.

The following tables summarize the stock grant amounts and activity for the nine months ended September 30, 2021.

	Number of Shares	Grant Date Weighted Average Fair Value
Nonvested at beginning of the period	6,682	$39.30
Granted	6,170	$51.40
Vested	(4,048)	$41.19
Forfeited	-	-
Nonvested at end of the period	8,804	$46.91

For the three months ended September 30, 2021 and 2020, the statement of income includes $46 and $74 of stock-based compensation, respectively, and related recognized tax benefits of $13 and $21, respectively. For the nine months ended September 30, 2021 and 2020, the statement of income includes $167 and $126 of stock-based compensation, respectively, and related recognized tax benefits of $48 and $36, respectively. The total fair value of the shares vested in the nine months ended September 30, 2021 was $167. Total stock-based compensation related to nonvested awards not yet recognized is $413 which will be recognized over the remaining three year vesting period.

12. Income Taxes

The Company filed for a change in accounting method under the Internal Revenue Service tangible property regulations, or TPR, effective in 2014. Under the change in accounting method, the Company is permitted to deduct the costs of certain asset improvements that were previously being capitalized and depreciated for tax purposes as an expense on its income tax return. This ongoing deduction results in a reduction in the effective income tax rate, a net reduction in income tax expense, and a reduction in the amount of income taxes currently payable. It also results in increases to deferred tax liabilities and regulatory assets representing the appropriate book and tax basis difference on capital additions.

The Company's effective tax rate was 11.5% and 16.0% for the three months ended September 30, 2021 and 2020, respectively and 7.7% and 13.9% for the nine months ended September 30, 2021 and 2020, respectively. The lower effective tax rate is primarily due to higher deductions from the TPR. The effective tax rate will vary depending on the level of eligible asset improvements expensed for tax purposes under TPR each period.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (In thousands of dollars, except per share amounts)

Forward-looking Statements

Certain statements contained in this report on Form 10-Q constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. Words such as "may," "should," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify forward-looking statements. These forward-looking statements include certain information relating to the Company’s business strategy; statements including, but not limited to:

- the amount and timing of rate changes and other regulatory matters including the recovery of costs recorded as regulatory assets;
- expected profitability and results of operations;
- trends;
- goals, priorities and plans for, and cost of, growth and expansion;
- strategic initiatives;
- availability of water supply;
- water usage by customers; and
- the ability to pay dividends on common stock and the rate of those dividends.

The forward-looking statements in this report reflect what the Company currently anticipates will happen. What actually happens could differ materially from what it currently anticipates will happen. The Company does not intend to make a public announcement when forward-looking statements in this report are no longer accurate, whether as a result of new information, what actually happens in the future or for any other reason. Important matters that may affect what will actually happen include, but are not limited to:

- changes in weather, including drought conditions or extended periods of heavy rainfall;
- natural disasters, including pandemics such as the current outbreak of the novel strain of coronavirus known as “COVID-19” and the effectiveness of the Company’s pandemic plans;
- levels of rate relief granted;
- the level of commercial and industrial business activity within the Company's service territory;
- construction of new housing within the Company's service territory and increases in population;
- changes in government policies or regulations, including the tax code;
- the ability to obtain permits for expansion projects;
- material changes in demand from customers, including the impact of conservation efforts which may reduce the demand of customers for water;
- changes in economic and business conditions, including interest rates;
- loss of customers;
- changes in, or unanticipated, capital requirements;
- the impact of acquisitions;
- changes in accounting pronouncements;
- changes in the Company’s credit rating or the market price of its common stock; and
- the ability to obtain financing.

General Information

The primary business of the Company is to impound, purify to meet or exceed safe drinking water standards and distribute water. The Company also owns and operates two wastewater collection systems and five wastewater collection and treatment systems. The Company operates within its franchised water and wastewater territory, which covers portions of 51 municipalities within three counties in south-central Pennsylvania. The Company is regulated by the Pennsylvania Public Utility Commission, or PPUC, for both water and wastewater in the areas of billing, payment procedures, dispute processing, terminations, service territory, debt and equity financing and rate setting. The Company must obtain PPUC approval before changing any practices associated with the aforementioned areas.

Water service is supplied through the Company's own distribution system. The Company obtains the bulk of its water supply from both the South Branch and East Branch of the Codorus Creek, which together have an average daily flow of 73.0 million gallons. This combined watershed area is approximately 117 square miles. The Company has two reservoirs, Lake Williams and Lake Redman, which together hold up to approximately 2.2 billion gallons of water. The Company supplements its reservoirs with a 15-mile pipeline from the Susquehanna River to Lake Redman which provides access to an additional supply of 12.0 million gallons of untreated water per day. The Company also owns nine wells which are capable of providing a safe yield of approximately 597,000 gallons per day to supply water to the customers of its satellite systems in Adams County. As of September 30, 2021, the Company's average daily availability was 35.6 million gallons, and average daily consumption was approximately 20.3 million gallons. The Company's service territory had an estimated population of 202,000 as of December 31, 2020. Industry within the Company's service territory is diversified, manufacturing such items as fixtures and furniture, electrical machinery, food products, paper, ordnance units, textile products, air conditioning systems, laundry detergent, barbells, and motorcycles.

The Company's water business is somewhat dependent on weather conditions, particularly the amount and timing of rainfall. Revenues are particularly vulnerable to weather conditions in the summer months. Prolonged periods of hot and dry weather generally cause increased water usage for watering lawns, washing cars, and keeping golf courses and sports fields irrigated. Conversely, prolonged periods of dry weather could lead to drought restrictions from governmental authorities. Despite the Company’s adequate water supply, customers may be required to cut back water usage under such drought restrictions which would negatively impact revenues. The Company has addressed some of this vulnerability by instituting minimum customer charges which are intended to cover fixed costs of operations under all likely weather conditions.

The Company’s business does not require large amounts of working capital and is not dependent on any single customer or a very few customers for a material portion of its business. Increases in revenues are generally dependent on the Company’s ability to obtain rate increases from the PPUC in a timely manner and in adequate amounts and to increase volumes of water sold through increased consumption and increases in the number of customers served. The Company continuously looks for water and wastewater acquisition and expansion opportunities both within and outside its current service territory as well as additional opportunities to enter into bulk water contracts with municipalities and other entities to supply water.

The Company has agreements with several municipalities to provide sewer billing and collection services. The Company also has a service line protection program on a targeted basis in order to further diversify its business. Under this optional program, customers pay a fixed monthly fee, and the Company will repair or replace damaged customer service lines, as needed, subject to an annual maximum dollar amount. The Company continues to review and consider opportunities to expand both initiatives.

Impact of COVID-19

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") was reported. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. On March 6, 2020, Governor Tom Wolf signed an emergency disaster declaration for the Commonwealth of Pennsylvania which was extended for an additional ninety days five times, most recently on May 19, 2021. This emergency declaration was ended on June 16, 2021, by joint resolution of the Pennsylvania legislature. However, developments in this area continue at the local, state, and national levels and the Company continues to stay abreast of these developments. The Company has taken steps, consistent with directions from local, state, and federal authorities, to mitigate known risks with the health and safety of its employees and customers as its first priority.

The Company is an essential, life-sustaining business and has continued normal operations. The Company continues to monitor guidance from state and local authorities and, although most restrictions have been lifted, has made some modifications to its operations in order to comply with Pennsylvania's guidelines. This includes implementing enhanced safety procedures in its lobby and other measures such as holding virtual meetings and maintaining social distancing practices, when appropriate. These restrictions are not expected to materially impede the Company's ability to complete its planned capital expenditures or acquisitions. The Company has not experienced any material supply chain disruptions. The Company has been informed of longer lead times for some items, although this does not impact daily operating supplies. The Company maintains an adequate inventory of critical repair parts which are available as needed. The Company continues to maintain relationships with its vendors to identify issues in a timely manner while also seeking out additional vendor relationships to diversify its supply chain. The Company has addressed the longer lead times by placing orders proactively with its vendors to align with current lead times. If the delays increase materially or if certain materials and supplies become unavailable, the Company may re-prioritize some of its capital projects or experience higher operating expenses or capital costs. The Company believes it has sufficient liquidity and access to the capital markets if needed.

As a water and wastewater utility, it is the Company's mission to provide uninterrupted water and wastewater service. Due to the effect of COVID-19 on the general public, in compliance with an order from the PPUC, the Company paused shut-off procedures for delinquent customers on March 13, 2020. In addition, the Company stopped billing late payment charges. These customers were billed at normal tariff rates for the water they used, and wastewater service provided. As allowed by the PPUC, the Company resumed normal shut-off procedures and began billing late payment charges for most customers in January 2021. Most remaining PPUC required customer protections specific to the COVID-19 pandemic fully expired on April 1, 2021 with the exception of the requirement to offer extended term payment agreements to certain "protected customers" as defined by PPUC order which expired on September 30, 2021. Certain customers are eligible to receive utility assistance made available through federal relief funds through organizations not related to the Company.

The Company has begun to see demand by customer class revert back to close to pre-pandemic levels. However, the Company may continue to experience changes in demand as the response to this pandemic continues. The duration and magnitude of these changes is currently unknown and difficult to predict.

To date, there has been no material impact on the Company's workforce, operations, financial performance, liquidity, or supply chain as a result of COVID-19. However, the ultimate duration and severity of the pandemic or its effects on the economy, the capital and credit markets, or the Company's workforce, customers, and suppliers, as well as governmental and regulatory responses, are uncertain.

Results of Operations

Three Months Ended September 30, 2021 Compared
With Three Months Ended September 30, 2020

Net income for the third quarter of 2021 was $4,794, an increase of $90, or 1.9%, from net income of $4,704 for the same period of 2020. The primary contributing factors to the increase were lower income taxes and higher operating revenues which were partially offset by higher expenses.

Operating revenues for the third quarter of 2021 increased $246, or 1.7%, from $14,257 for the three months ended September 30, 2020 to $14,503 for the corresponding 2021 period. The increase was primarily due to revenues from the distribution system improvement charge, or DSIC, allowed by the PPUC of $255. The DSIC allows the Company to add a charge to customers' water bills for qualified replacement costs of certain infrastructure without submitting a rate filing. Growth in the customer base also added to revenues. The average number of water customers served in 2021 increased as compared to 2020 by 760 customers, from 68,996 to 69,756 customers. The average number of wastewater customers served in 2021 increased as compared to 2020 by 256 customers, from 3,077 to 3,333 customers, due to acquisitions during 2020. Total per capita consumption for the third quarter of 2021 was approximately 1.8% lower than the same period of last year.

Operating expenses for the third quarter of 2021 increased $583, or 8.1%, from $7,236 for the third quarter of 2020 to $7,819 for the corresponding 2021 period. The increase was primarily due to higher expenses of approximately $221 for wages, $177 for depreciation, $80 for wastewater treatment, $72 for outside services, $60 for water treatment and distribution system maintenance, and $49 for insurance. The increased expenses were partially offset by reduced expenses of $44 for a lower provision for uncollectible accounts. Other expenses decreased by a net of $32.

Interest on debt for the third quarter of 2021 increased $85, or 7.4%, from $1,152 for the third quarter of 2020 to $1,237 for the corresponding 2021 period. The increase was primarily due to an increase in long-term debt outstanding. The average debt outstanding under the lines of credit was $12,911 for the third quarter of 2021 and $10,595 for the third quarter of 2020. The weighted average interest rate on the lines of credit was 1.30% for the quarter ended September 30, 2021 and 1.41% for the quarter ended September 30, 2020.

Allowance for funds used during construction increased $195, from $115 in the third quarter of 2020 to $310 in the corresponding 2021 period due to a higher volume of eligible construction.

Other income (expenses), net for the third quarter of 2021 reflects decreased expenses of $7 as compared to the same period of 2020. Higher earnings on life insurance policies of approximately $11 were the primary reasons for the decrease. Other expenses increased by a net of $4.

Income taxes for the third quarter of 2021 decreased $273, or 30.4%, compared to the same period of 2020 primarily due to higher deductions from the Internal Revenue Service, or IRS, tangible property regulations, or TPR. The Company's effective tax rate was 11.5% for the third quarter of 2021 and 16.0% for the third quarter of 2020.

Nine Months Ended September 30, 2021 Compared
With Nine Months Ended September 30, 2020

Net income for the first nine months of 2021 was $12,983, an increase of $95, or 0.7%, from net income of $12,888 for the same period of 2020. The primary contributing factors to the increase were lower income taxes and higher operating revenues which were partially offset by higher expenses and a prior year gain on life insurance, not repeated this year.

Operating revenues for the first nine months of 2021 increased $931, or 2.3%, from $40,454 for the nine months ended September 30, 2020 to $41,385 for the corresponding 2021 period. The increase was primarily due to growth in the customer base and revenues from the DSIC of $280. The average number of water customers served in 2021 increased as compared to 2020 by 775 customers, from 68,790 to 69,565 customers. The average number of wastewater customers served in 2021 increased as compared to 2020 by 298 customers, from 3,018 to 3,316 customers, due to acquisitions during 2020. Total per capita consumption for the first nine months of 2021 was approximately 1.1% higher than the same period of last year, but residential demand decreased. Additional billing and revenue collection services also added to revenues. For the remainder of the year, the Company expects revenues to show a modest increase due to the revenues from the DSIC. An increase in the number of water and wastewater customers from acquisitions and growth within the Company's service territory are also expected to add to revenues. The duration and severity of the COVID-19 pandemic including any resulting economic slowdown or changes in consumption patterns could impact results. Other regulatory actions and weather patterns could also impact results.

Operating expenses for the first nine months of 2021 increased $1,921, or 8.9%, from $21,524 for the first nine months of 2020 to $23,445 for the corresponding 2021 period. The increase was primarily due to higher expenses of approximately $482 for depreciation, $375 for wages, $365 for wastewater treatment, $283 for insurance, $277 for water treatment and distribution system maintenance, and $126 for outside services. Other expenses increased by a net of $161. The increased expenses were partially offset by reduced expenses of $92 for purchased power and $56 for a lower provision for uncollectible accounts. For the remainder of the year, the Company expects depreciation expense to continue to rise due to additional investment in utility plant, and other expenses to increase at a moderate rate as costs to treat water and wastewater, and to maintain and extend the distribution system, continue to rise.

Interest on debt for the first nine months of 2021 increased $170 or 4.9%, from $3,503 for the first nine months of 2020 to $3,673 for the corresponding 2021 period. The increase was primarily due to an increase in long-term debt outstanding. The average debt outstanding under the lines of credit was $9,405 for both the first nine months of 2021 and the first nine months of 2020. The weighted average interest rate on the lines of credit was 1.30% for the nine months ended September 30, 2021 and 1.99% for the nine months ended September 30, 2020. Interest expense for the remainder of the year is expected to be slightly higher due to continued borrowings under the line of credit.

Allowance for funds used during construction increased $553, from $330 in the first nine months of 2020 to $883 in the corresponding 2021 period due to a higher volume of eligible construction. Allowance for funds used during construction for the remainder of the year is expected to increase based on a projected increase in the amount of eligible construction.

A non-recurring gain on life insurance of $515 was recorded in the first nine months of 2020 as a result of a death benefit from a life insurance policy. No similar gains are anticipated at this time.

Other income (expenses), net for the first nine months of 2021 reflects decreased expenses of $108 as compared to the same period of 2020. Higher earnings on life insurance policies of approximately $71 and lower charitable contributions of $34 were the primary reasons for the decrease. Other expenses decreased by a net of $3. For the remainder of the year, other income (expenses) will be largely determined by the change in market returns and discount rates for retirement programs and related assets.

Income taxes for the first nine months of 2021 decreased $998, or 48.1%, compared to the same period of 2020 primarily due to higher deductions from the IRS TPR. The Company’s effective tax rate was 7.7% for the first nine months of 2021 and 13.9% for the first nine months of 2020. The Company's effective tax rate for the remainder of 2021 will largely be determined by the level of eligible asset improvements expensed for tax purposes under TPR each period.

Rate Matters

See Note 9 to the financial statements included herein for a discussion of rate matters.

Effective October 1, 2021, the Company's tariff included a distribution system improvement charge on revenues of 2.60%.

The Company does not expect to file a rate increase request in 2021.

Acquisitions and Growth

On July 30, 2021, the Company signed an agreement to purchase the water assets of Scott Water Company in Greene Township, Franklin County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the third quarter of 2022 at which time the Company will add approximately 25 water customers.

On April 22, 2021, the Company signed an agreement to purchase the water assets and wastewater collection and treatment assets jointly owned by Letterkenny Industrial Development Authority and Franklin County General Authority in Letterkenny and Greene Townships, Franklin County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the second quarter of 2022 at which time the Company will add approximately 90 water and wastewater customers.

On May 27, 2020, the Company signed an agreement to purchase the water assets and wastewater collection and treatment assets of Country View Manor Community, LLC in Washington Township, York County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the second quarter of 2022 at which time the Company will add approximately 50 water and wastewater customers.

On March 4, 2019, the Company signed an agreement to purchase the wastewater collection assets of West Manheim Township in York County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in 2021 at which time the Company will add approximately 1,800 wastewater customers. These wastewater customers are currently water customers of the Company.

On October 8, 2013, the Company signed an agreement to purchase the wastewater collection and treatment assets of SYC WWTP, L.P. in Shrewsbury and Springfield Townships, York County, Pennsylvania. On July 1, 2020, the Company signed an agreement to purchase the Albright Trailer Park water assets and wastewater collection assets of R.T. Barclay, Inc. in Springfield Township, York County, Pennsylvania. Completion of the acquisitions is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the second quarter of 2022, at which time the Company will add approximately 90 combined wastewater customers and approximately 60 water customers through an interconnection with its current water distribution system. The wastewater customers of the Albright Trailer Park are currently served by SYC WWTP, L.P. and the water customers are currently served by the Company, each through a single customer connection to the park.

In total, these acquisitions are expected to be immaterial to Company results. The Company is also pursuing other bulk water contracts and acquisitions in and around its service territory to help offset any further declines in per capita water consumption and to grow its business.

On May 10, 2017, the Company signed an emergency interconnect agreement with Dallastown-Yoe Water Authority. The effectiveness of this agreement is contingent upon receiving approval from all required regulatory authorities. Approval is expected to be granted in 2022 at which time the Company will begin construction of a water main extension to a single point of interconnection and either supply a minimum agreed upon amount of water to the authority, receive a payment in lieu of water, or provide water during an emergency, at current tariff rates.

Capital Expenditures

For the nine months ended September 30, 2021, the Company invested $27,434 in construction expenditures for routine items and an upgrade to the enterprise software system as well as various replacements and improvements to infrastructure. The Company was able to fund construction expenditures using internally-generated funds, line of credit borrowings, proceeds from its stock purchase plans and customer advances and contributions from developers, municipalities, customers, or builders.

The Company anticipates construction expenditures for the remainder of 2021 of approximately $7,600 exclusive of any potential acquisitions not yet approved. In addition to routine transmission and distribution projects, a portion of the anticipated expenditures will be for additional main extensions, an elevated water tank, completion of a wastewater treatment plant, and various replacements and improvements to infrastructure. The Company intends to use primarily internally-generated funds for its anticipated construction and fund the remainder through cash, line of credit borrowings, proceeds from its stock purchase plans and customer advances and contributions. Customer advances and contributions are expected to account for between 5% and 10% of funding requirements during the remainder of 2021. The Company believes it will have adequate credit facilities and access to the capital markets, if necessary, to meet its anticipated capital needs in the remainder of 2021 and 2022.

Liquidity and Capital Resources

Cash

The Company manages its cash through a cash management account that is directly connected to its line of credit. Excess cash generated automatically pays down outstanding borrowings under the line of credit arrangement. If there are no outstanding borrowings, the cash is used as an earnings credit to reduce banking fees. Likewise, if additional funds are needed beyond what is generated internally for payroll, to pay suppliers, to fund capital expenditures, or to pay debt service, funds are automatically borrowed under the line of credit. As of September 30, 2021, the Company borrowed $15,192 on its line of credit and incurred a cash overdraft on its cash management account of $1,277. The cash and the cash management facility connected to the line of credit are expected to provide the necessary liquidity and funding for the Company's operations, capital expenditures, acquisitions, and potential buybacks of stock for the foreseeable future.

Accounts Receivable

The accounts receivable balance tends to follow the change in revenues but is also affected by the timeliness of payments by customers and the level of the reserve for doubtful accounts. For the three months ended September 30, 2021, a strengthening in the timeliness of payments, compared to the end of 2020, resulted in a decrease in accounts receivable – customers. A reserve is maintained at a level considered adequate to provide for losses that can be reasonably anticipated based on inactive accounts with outstanding balances. Management periodically evaluates the adequacy of the reserve based on past experience, agings of the receivables, adverse situations that may affect a customer’s ability to pay, current economic conditions, and other relevant factors. During 2021, management’s assessment included consideration of the COVID-19 pandemic along with past trends during times of economic instability and regulations from the PPUC regarding customer turn-offs and collections and determined its allowance for doubtful accounts should remain elevated compared to historical norms. If the status of these factors deteriorates, the Company may incur additional expenses for uncollectible accounts and experience a reduction in its internally-generated funds.

Internally-generated Funds

The amount of internally-generated funds available for operations and construction depends on the Company’s ability to obtain timely and adequate rate relief, changes in regulations including taxes, customers’ water usage, weather conditions, customer growth and controlled expenses. During the first nine months of 2021, the Company generated $18,476 internally from operations as compared to the $16,306 it generated during the first nine months of 2020, primarily due to lower income taxes paid and a decrease in accounts receivable – customers due to a strengthening in the timeliness of payments.

Credit Lines

Historically, the Company has borrowed $15,000 to $20,000 under its lines of credit before refinancing with long-term debt or equity capital. As of September 30, 2021, the Company maintained an unsecured line of credit in the amount of $50,000 at an interest rate of LIBOR plus 1.05% with an unused commitment fee and an interest rate floor. The Company had $15,192 in outstanding borrowings under its line of credit as of September 30, 2021. The interest rate on the line of credit borrowings as of September 30, 2021 was 1.30%. In the third quarter, the Company renewed its committed line of credit and extended the maturity date to September 2023.

The Company has taken steps to manage the risk of reduced credit availability. It has established a committed line of credit with an increase in the total amount available and a 2-year revolving maturity that cannot be called on demand. There is no guarantee that the Company will be able to obtain sufficient lines of credit with favorable terms in the future. If the Company is unable to obtain sufficient lines of credit or to refinance its line of credit borrowings with long-term debt or equity when necessary, it may have to eliminate or postpone capital expenditures. Management believes the Company will have adequate capacity under its current lines of credit to meet anticipated financing needs throughout 2021 and 2022.

Long-term Debt

The Company's loan agreements contain various covenants and restrictions. Management believes it is currently in compliance with all of these restrictions. See Note 6 to the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 for additional information regarding these restrictions.

The Company's total long-term debt as a percentage of the total capitalization, defined as total common stockholders' equity plus total long-term debt, was 47.3% as of September 30, 2021, compared with 46.9% as of December 31, 2020. The Company expects to allow the debt percentage to trend upward until it approaches fifty percent before considering additional equity. A debt to total capitalization ratio between forty-six and fifty percent has historically been acceptable to the PPUC in rate filings. Due to its ability to generate more cash internally, the Company has been able to keep its ratio below fifty percent.

The variable rate line of credit and the interest rate swap of the Company use the LIBOR as a benchmark for establishing the rates. The United Kingdom's Financial Conduct Authority, which regulates LIBOR, has announced that it intends to stop encouraging or compelling banks to submit rates for the calculation of LIBOR rates. For most LIBOR rates, the cessation date is expected to be June 30, 2023. The Company's line of credit agreement explicitly states that another index may be used if LIBOR is discontinued or otherwise unavailable. The Company believes that it is implicit in its other agreements that a successor rate to LIBOR may be used. The Company is not yet aware what successor rate will be used and therefore cannot estimate the impact to the Company's financial position, results of operations and cash flows, but it could include an increase in the cost of the variable rate indebtedness.

Income Taxes, Deferred Income Taxes and Uncertain Tax Positions

The Company filed for a change in accounting method under the IRS TPR effective in 2014. Under the change in accounting method, the Company is permitted to deduct the costs of certain asset improvements that were previously being capitalized and depreciated for tax purposes as an expense on its income tax return. This ongoing deduction results in a reduction in the effective income tax rate, a net reduction in income tax expense, and a reduction in the amount of income taxes currently payable. It also results in increases to deferred tax liabilities and regulatory assets representing the appropriate book and tax basis difference on capital additions. The Company expects to continue to expense these asset improvements in the future.

The Company's effective tax rate will largely be determined by the level of eligible asset improvements expensed for tax purposes that would have been capitalized for tax purposes prior to the implementation of TPR.

The Company has a substantial deferred income tax asset primarily due to the excess accumulated deferred income taxes on accelerated depreciation from the 2017 Tax Act and the differences between the book and tax balances of the customers' advances for construction and contributions in aid of construction and deferred compensation plans. The Company does not believe a valuation allowance is required due to the expected generation of future taxable income during the periods in which those temporary differences become deductible.

The Company has seen an increase in its deferred income tax liability amounts primarily as a result of the accelerated depreciation deduction available for federal tax purposes which creates differences between book and tax depreciation expense. The Company expects this trend to continue as it makes significant investments in capital expenditures subject to accelerated depreciation or TPR.

The Company has determined there are no uncertain tax positions that require recognition as of September 30, 2021.

Common Stock
Common stockholders' equity as a percent of the total capitalization was 52.7% as of September 30, 2021, compared with 53.1% as of December 31, 2020. The volume of share repurchases and higher debt from capital expenditures, among other things, could reduce this percentage in the future. It is the Company's general intent to target a ratio between fifty and fifty-four percent.

The Company has an effective "shelf" Registration Statement on Form S-3 on file with the Securities and Exchange Commission, pursuant to which the Company may offer an aggregate remaining amount of up to $50,000 of its common stock or debt securities subject to market conditions at the time of any such offering.

Credit Rating
On October 8, 2021, Standard & Poor's affirmed the Company's credit rating at A-, with a stable outlook and adequate liquidity. The Company's ability to maintain its credit rating depends, among other things, on adequate and timely rate relief, which it has been successful in obtaining, its ability to fund capital expenditures in a balanced manner using both debt and equity and its ability to generate cash flow. The Company's objectives are to continue to maximize its funds provided by operations and maintain a strong capital structure in order to be able to attract capital.

Physical and Cyber Security

The Company maintains security measures at its facilities, and collaborates with federal, state, and local authorities and industry trade associations regarding information on possible threats and security measures for water and wastewater utility operations. The costs incurred are expected to be recoverable in water and wastewater rates and are not expected to have a material impact on its business, financial condition, or results of operations.

The Company relies on information technology systems in connection with the operation of the business, especially with respect to customer service, billing, accounting, and in some cases, the monitoring and operation of treatment, storage, and pumping facilities. In addition, the Company relies on these systems to track utility assets and to manage maintenance and construction projects, materials and supplies, and human resource functions. The information technology systems may be vulnerable to damage or interruption from cyber security attacks or other cyber-related events, including, but not limited to, power loss, computer systems failures, internet, telecommunications or data network failures, physical and electronic loss of data, computer viruses, intentional security breaches, hacking, denial of service actions, misappropriation of data, and similar events. In some cases, administration of certain functions may be outsourced to third-party service providers that could also be targets of cyber security attacks. A loss of these systems, or major problems with the operation of these systems, could harm the business, financial condition, and results of operations of the Company through the loss or compromise of customer, financial, employee, or operational data, disruption of billing, collections or normal field service activities, disruption of electronic monitoring and control of operational systems, and delays in financial reporting and other normal management functions.

Possible impacts associated with a cyber security attack or other events may include remediation costs related to lost, stolen, or compromised data, repairs to data processing systems, increased cyber security protection costs, adverse effects on our compliance with regulatory and environmental laws and regulation, including standards for drinking water, litigation, and reputational damage.

The Company has implemented processes, procedures, and controls to prevent or limit the effect of these possible events, and maintains insurance to help defray costs associated with cyber security attacks. The Company has not experienced a material impact on business or operations from these attacks. Although the Company does not believe its systems are at a materially greater risk of cyber security attacks than other similar organizations and despite the implementation of robust security measures, the Company cannot provide assurance that the insurance will fully cover the costs of a cyber security event, and its robust security measures do not guarantee that reputation and financial results will not be adversely affected by such an incident.

Environmental Matters

The Company entered into a consent order agreement with the Pennsylvania Department of Environmental Protection in December 2016 after the Company determined it exceeded the action level for lead as established by the Lead and Copper Rule, or LCR, issued by the U.S. Environmental Protection Agency. The Company did not have an exceedance in any subsequent compliance test. Under the agreement, the Company successfully completed its commitment to exceed the LCR replacement schedule by replacing all the known company-owned lead service lines within four years from the agreement. Any additional company-owned lead service lines that are discovered will be replaced and included in utility plant but are not expected to have a material impact on the financial position of the Company.

The Company was granted approval by the PPUC to modify its tariff to include the cost of the annual replacement of up to 400 lead customer-owned service lines over nine years from the agreement. The tariff modification allows the Company to replace customer-owned service lines at its own initial cost. The Company will record the costs as a regulatory asset to be recovered in future base rates to customers, over a four-year period. The cost for the customer-owned lead service line replacements was approximately $1,307 and $1,204 through September 30, 2021 and December 31, 2020, respectively, and is included as a regulatory asset. Based on its experience, the Company estimates that lead customer-owned service lines replacements will cost $1,500. This estimate is subject to adjustment as more facts become available.

Critical Accounting Estimates

The methods, estimates, and judgments the Company used in applying its accounting policies have a significant impact on the results reported in its financial statements. The Company's accounting policies require management to make subjective judgments because of the need to make estimates of matters that are inherently uncertain. The Company's most critical accounting estimates include regulatory assets and liabilities, revenue recognition, accounting for its pension plans, and income taxes. There has been no significant change in accounting estimates or the method of estimation during the quarter ended September 30, 2021.

Off-Balance Sheet Arrangements

The Company does not use off-balance sheet transactions, arrangements or obligations that may have a material current or future effect on financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenues or expenses. The Company does not use securitization of receivables or unconsolidated entities. For risk management purposes, the Company uses a derivative financial instrument, an interest rate swap agreement discussed in Note 5 to the financial statements included herein. The Company does not engage in trading or other risk management activities, does not use other derivative financial instruments for any purpose, has no guarantees and does not have material transactions involving related parties.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's President and Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, the Company's President and Chief Executive Officer along with the Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report are effective such that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to the Company’s management, including the President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

No change in the Company's internal control over financial reporting occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 6. Exhibits.

Exhibit No.	Description
3	Amended and Restated Articles of Incorporation. Incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 4, 2010.
3.1	Amended and Restated By-Laws. Incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 26, 2012.
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE YORK WATER COMPANY

	/s/ Joseph T. Hand
Date: November 5, 2021	Joseph T. Hand
	Principal Executive Officer
	/s/ Matthew E. Poff
Date: November 5, 2021	Matthew E. Poff
	Principal Financial and Accounting Officer

EXHIBIT 31.1
CERTIFICATIONS

I, Joseph T. Hand, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The York Water Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ Joseph T. Hand
Joseph T. Hand
President and CEO

EXHIBIT 31.2
CERTIFICATIONS

I, Matthew E. Poff, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The York Water Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ Matthew E. Poff
Matthew E. Poff
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The York Water Company (the “Company”) on Form 10-Q for the period ending September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph T. Hand, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

THE YORK WATER COMPANY

Date: November 5, 2021

/s/ Joseph T. Hand
Joseph T. Hand
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The York Water Company (the "Company") on Form 10-Q for the period ending September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew E. Poff, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

THE YORK WATER COMPANY

Date: November 5, 2021

/s/ Matthew E. Poff
Matthew E. Poff
Chief Financial Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________to____________

Commission file number 001-34245

THE YORK WATER COMPANY
(Exact name of registrant as specified in its charter)

"That good York water"
SINCE 1816

Pennsylvania	23-1242500
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
130 East Market Street, York, Pennsylvania	17401
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (717) 845-3601

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, No par value	YORW	The Nasdaq Global Select Market
(Title of Class)	(Trading Symbol)	(Name of Each Exchange on Which Registered)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
☒ YES ☐ NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
☒ YES ☐ NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Smaller reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
☐ YES ☒ NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, No par value 14,246,394 Shares outstanding
as of May 3, 2022

TABLE OF CONTENTS

THE YORK WATER COMPANY

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Balance Sheets (Unaudited)
(In thousands of dollars, except per share amounts)

	Mar. 31, 2022	Dec. 31, 2021
ASSETS		
UTILITY PLANT, at original cost	$ 494,500	$ 485,750
Plant acquisition adjustments	(3,620)	(3,637)
Accumulated depreciation	(101,000)	(99,204)
Net utility plant	389,880	382,909
OTHER PHYSICAL PROPERTY, net of accumulated depreciation of $489 in 2022 and $483 in 2021	717	717
CURRENT ASSETS:		
Cash and cash equivalents	1	1
Accounts receivable, net of reserves of $852 in 2022 and $855 in 2021	4,434	4,634
Unbilled revenues	3,044	2,784
Recoverable income taxes	895	894
Materials and supplies inventories, at cost	2,107	1,917
Prepaid expenses	1,513	1,032
Total current assets	11,994	11,262
OTHER LONG-TERM ASSETS:		
Prepaid pension cost	15,097	14,054
Note receivable	255	255
Deferred regulatory assets	46,308	45,280
Other assets	4,661	4,376
Total other long-term assets	66,321	63,965
Total Assets	**$ 468,912**	**$ 458,853**

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Balance Sheets (Unaudited)
(In thousands of dollars, except per share amounts)

	Mar. 31, 2022	Dec. 31, 2021
STOCKHOLDERS' EQUITY AND LIABILITIES		
COMMON STOCKHOLDERS' EQUITY:		
Common stock, no par value, authorized 46,500,000 shares, issued and outstanding 13,123,619 shares in 2022 and 13,112,948 shares in 2021	$ 88,725	$ 88,230
Retained earnings	65,695	64,392
Total common stockholders' equity	154,420	152,622
PREFERRED STOCK, authorized 500,000 shares, no shares issued	-	-
LONG-TERM DEBT, excluding current portion	143,999	138,869
COMMITMENTS	-	-
CURRENT LIABILITIES:		
Current portion of long-term debt	7,500	7,500
Accounts payable	7,580	6,712
Dividends payable	2,298	2,293
Accrued compensation and benefits	1,506	1,575
Accrued interest	1,071	959
Deferred regulatory liabilities	605	607
Other accrued expenses	536	440
Total current liabilities	21,096	20,086
DEFERRED CREDITS:		
Customers' advances for construction	13,161	12,820
Deferred income taxes	51,133	49,590
Deferred employee benefits	4,557	4,530
Deferred regulatory liabilities	37,172	36,374
Other deferred credits	1,500	2,086
Total deferred credits	107,523	105,400
Contributions in aid of construction	41,874	41,876
Total Stockholders' Equity and Liabilities	**$ 468,912**	**$ 458,853**

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Income (Unaudited)
(In thousands of dollars, except per share amounts)

	Three Months Ended March 31	
	2022	**2021**
OPERATING REVENUES:	$ 14,240	$ 13,081
OPERATING EXPENSES:		
Operation and maintenance	3,451	2,806
Administrative and general	2,657	2,411
Depreciation and amortization	2,480	2,174
Taxes other than income taxes	354	336
	8,942	7,727
Operating income	5,298	5,354
OTHER INCOME (EXPENSES):		
Interest on debt	(1,297)	(1,214)
Allowance for funds used during construction	295	262
Other pension costs	(319)	(304)
Other income (expenses), net	(349)	(101)
	(1,670)	(1,357)
Income before income taxes	3,628	3,997
Income tax (benefit) expense	(231)	292
Net Income	**$ 3,859**	**$ 3,705**
Basic Earnings Per Share	**$ 0.29**	**$ 0.28**
Diluted Earnings Per Share	**$ 0.29**	**$ 0.28**

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Common Stockholders' Equity (Unaudited)
(In thousands of dollars, except per share amounts)
For the Periods Ended March 31, 2022 and 2021

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total
Balance, December 31, 2021	13,112,948	$ 88,230	$ 64,392	$ 152,622
Net income	-	-	3,859	3,859
Cash dividends declared, $0.1949 per share	-	-	(2,556)	(2,556)
Issuance of common stock under dividend reinvestment, direct stock and employee stock purchase plans	10,671	450	-	450
Stock-based compensation	-	45	-	45
Balance, March 31, 2022	13,123,619	$ 88,725	$ 65,695	$ 154,420

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total
Balance, December 31, 2020	13,060,817	$ 85,935	$ 57,317	$ 143,252
Net income	-	-	3,705	3,705
Cash dividends declared, $0.1874 per share	-	-	(2,448)	(2,448)
Issuance of common stock under dividend reinvestment, direct stock and employee stock purchase plans	10,916	473	-	473
Stock-based compensation	-	28	-	28
Balance, March 31, 2021	13,071,733	$ 86,436	$ 58,574	$ 145,010

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Cash Flows (Unaudited)
(In thousands of dollars, except per share amounts)

	Three Months Ended March 31	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 3,859	$ 3,705
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,480	2,174
Stock-based compensation	45	28
Decrease in deferred income taxes	(230)	(108)
Other	15	29
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable and unbilled revenues	(161)	1,038
(Increase) decrease in recoverable income taxes	(1)	139
Increase in materials and supplies, prepaid expenses, prepaid pension cost, regulatory and other assets	(3,242)	(2,201)
Increase in accounts payable, accrued compensation and benefits, accrued expenses, deferred employee benefits, regulatory liabilities, and other deferred credits	2,456	1,684
Increase in accrued interest	112	109
Net cash provided by operating activities	5,333	6,597
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility plant additions, including debt portion of allowance for funds used during construction of $165 in 2022 and $146 in 2021	(7,504)	(7,431)
Net cash used in investing activities	(7,504)	(7,431)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Customers' advances for construction and contributions in aid of construction	676	792
Repayments of customer advances	(337)	(137)
Proceeds of long-term debt issues	13,375	11,648
Repayments of long-term debt	(8,289)	(13,178)
Changes in cash overdraft position	(1,153)	(1,263)
Issuance of common stock	450	473
Dividends paid	(2,551)	(2,448)
Net cash provided by (used in) financing activities	2,171	(4,113)
Net change in cash, cash equivalents, and restricted cash	-	(4,947)
Cash, cash equivalents, and restricted cash at beginning of period	1	5,002
Cash and cash equivalents at end of period	$ 1	$ 55
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	$ 964	$ 912
Income taxes	-	-

Supplemental disclosure of non-cash investing and financing activities:
Accounts payable includes $3,715 in 2022 and $3,831 in 2021 for the construction of utility plant.

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Notes to Interim Financial Statements
(In thousands of dollars, except per share amounts)

1. Basis of Presentation

The interim financial statements are unaudited but, in the opinion of management, reflect all adjustments, consisting of only normal recurring accruals, necessary for a fair presentation of results for such periods. Because the financial statements cover an interim period, they do not include all disclosures and notes normally provided in annual financial statements, and therefore, should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Operating results for the three months ended March 31, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022. Additionally, based on the duration and severity of the novel coronavirus ("COVID-19") pandemic, the Company is uncertain of the ultimate impact it could have on the business.

2. Accounts Receivable and Contract Assets

Accounts receivable and contract assets are summarized in the following table:

	As of Mar. 31, 2022	As of Dec. 31, 2021	Change
Accounts receivable – customers	$4,829	$5,034	$(205)
Other receivables	457	455	2
	5,286	5,489	(203)
Less: allowance for doubtful accounts	(852)	(855)	3
Accounts receivable, net	$4,434	$4,634	$(200)
Unbilled revenue	$3,044	$2,784	$260

Differences in timing of revenue recognition, billings, and cash collections result in receivables and contract assets. Generally, billing occurs subsequent to revenue recognition, resulting in a contract asset reported as unbilled revenue on the balance sheet. The Company does not receive advances or deposits from customers before revenue is recognized so no contract liabilities are reported. Accounts receivable are recorded when the right to consideration becomes unconditional and are presented separately on the balance sheet. The changes in accounts receivable – customers and in unbilled revenue were primarily due to normal timing difference between performance and the customer's payments.

3. Common Stock and Earnings Per Share

Net income of $3,859 and $3,705 for the three months ended March 31, 2022 and 2021, respectively, is used to calculate both basic and diluted earnings per share. Basic earnings per share is based on the weighted average number of common shares outstanding. Diluted earnings per share is based on the weighted average number of common shares outstanding plus potentially dilutive shares. The dilutive effect of employee stock-based compensation is included in the computation of diluted earnings per share and is calculated using the treasury stock method and expected proceeds upon exercise or issuance of the stock-based compensation.

The following table summarizes the shares used in computing basic and diluted earnings per share.

	Three Months Ended March 31	
	2022	2021
Weighted average common shares, basic	13,105,674	13,055,871
Effect of dilutive securities:		
Employee stock-based compensation	2,756	2,690
Weighted average common shares, diluted	13,108,430	13,058,561

On March 11, 2013, the Board of Directors, or the Board, authorized a share repurchase program granting the Company authority to repurchase up to 1,200,000 shares of the Company's common stock from time to time. The stock repurchase program has no specific end date and the Company may repurchase shares in the open market or through privately negotiated transactions. The Company may suspend or discontinue the repurchase program at any time. No shares were repurchased during the three months ended March 31, 2022 and 2021. As of March 31, 2022, 618,004 shares remain authorized for repurchase.

4. Debt

For the three months ended March 31, 2022, the Company did not enter into any new long-term debt arrangements or modify its outstanding long-term debt, which is summarized in the table below.

	As of Mar. 31, 2022	As of Dec. 31, 2021
8.43% Senior Notes, Series D, due 2022	$7,500	$7,500
Variable Rate Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series 2008A, due 2029	12,000	12,000
3.00% Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series A of 2019, due 2036	10,500	10,500
3.10% Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series B of 2019, due 2038	14,870	14,870
3.23% Senior Notes, due 2040	15,000	15,000
4.00% - 4.50% York County Industrial Development Authority Exempt Facilities Revenue Bonds, Series 2015, due 2029 - 2045	10,000	10,000
4.54% Senior Notes, due 2049	20,000	20,000
3.24% Senior Notes, due 2050	30,000	30,000
Committed Line of Credit, due September 2023	34,406	29,320
Total long-term debt	154,276	149,190
Less discount on issuance of long-term debt	(167)	(169)
Less unamortized debt issuance costs	(2,610)	(2,652)
Less current maturities	(7,500)	(7,500)
Long-term portion	$143,999	$138,869

5. Interest Rate Swap Agreement

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. The Company utilizes an interest rate swap agreement to effectively convert the Company's $12,000 variable-rate debt issue to a fixed rate. Interest rate swaps are contracts in which a series of interest rate cash flows are exchanged over a prescribed period. The notional amount on which the interest payments are based ($12,000) is not exchanged. The interest rate swap provides that the Company pays the counterparty a fixed interest rate of 3.16% on the notional amount of $12,000. In exchange, the counterparty pays the Company a variable interest rate based on 59% of the U.S. Dollar one-month LIBOR rate on the notional amount. The intent is for the variable rate received from the swap counterparty to approximate the variable rate the Company pays to bondholders on its variable rate debt issue, resulting in a fixed rate being paid to the swap counterparty and reducing the Company's interest rate risk. The Company’s net payment rate on the swap was 2.90% and 2.95% for the three months ended March 31, 2022 and 2021, respectively.

The interest rate swap agreement is classified as a financial derivative used for non-trading activities. The accounting standards regarding accounting for derivatives and hedging activities require companies to recognize all derivative instruments as either assets or liabilities at fair value on the balance sheet. In accordance with the standards, the interest rate swap is recorded on the balance sheet in other deferred credits at fair value (see Note 6).

The Company uses regulatory accounting treatment rather than hedge accounting to defer the unrealized gains and losses on its interest rate swap. These unrealized gains and losses are recorded as a regulatory asset. Based on current ratemaking treatment, the Company expects the unrealized gains and losses to be recognized in rates as a component of interest expense as the swap settlements occur. Swap settlements are recorded in the income statement with the hedged item as interest expense. Swap settlements resulted in the reclassification from regulatory assets to interest expense of $90 and $91 for the three months ended March 31, 2022 and 2021, respectively. The overall swap result was a gain of $494 and $431 for the three months ended March 31, 2022 and 2021, respectively. The Company expects to reclassify $246 from regulatory assets to interest expense as a result of swap settlements over the next 12 months.

The interest rate swap agreement contains provisions that require the Company to maintain a credit rating of at least BBB- with Standard & Poor's. If the Company's rating were to fall below this rating, it would be in violation of these provisions, and the counterparty to the derivative could request immediate payment if the derivative was in a liability position. On October 8, 2021, Standard & Poor's affirmed the Company's credit rating at A-, with a stable outlook and adequate liquidity. The Company's interest rate swap was in a liability position as of March 31, 2022. If a violation due to credit rating, or some other default provision, were triggered on March 31, 2022, the Company would have been required to pay the counterparty approximately $1,523.

The interest rate swap will expire on October 1, 2029. Other than the interest rate swap, the Company has no other derivative instruments.

6. Fair Value of Financial Instruments

The accounting standards regarding fair value measurements establish a fair value hierarchy which indicates the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs include quoted prices for identical instruments and are the most observable. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, commodity rates and yield curves. Level 3 inputs are not observable in the market and include management’s own judgments about the assumptions market participants would use in pricing the asset or liability.

The Company has recorded its interest rate swap liability at fair value in accordance with the standards. The liability is recorded under the caption "Other deferred credits" on the balance sheet. The table below illustrates the fair value of the interest rate swap as of the end of the reporting period.

Description	March 31, 2022	Fair Value Measurements at Reporting Date Using Significant Other Observable Inputs (Level 2)
Interest Rate Swap	$1,500	$1,500

Fair values are measured as the present value of all expected future cash flows based on the LIBOR-based swap yield curve as of the date of the valuation. These inputs to this calculation are deemed to be Level 2 inputs. The balance sheet carrying value reflects the Company's credit quality as of March 31, 2022. The rate used in discounting all prospective cash flows anticipated to be made under this swap reflects a representation of the yield to maturity for 30-year debt on utilities rated A- as of March 31, 2022. The use of the Company's credit rating resulted in a reduction in the fair value of the swap liability of $23 as of March 31, 2022. The fair value of the swap reflecting the Company's credit quality as of December 31, 2021 is shown in the table below.

Description	December 31, 2021	Fair Value Measurements at Reporting Date Using Significant Other Observable Inputs (Level 2)
Interest Rate Swap	$2,086	$2,086

The carrying amount of current assets and liabilities that are considered financial instruments approximates fair value as of the dates presented. The Company's total long-term debt, with a carrying value of $154,276 at March 31, 2022, and $149,190 at December 31, 2021, had an estimated fair value of approximately $155,000 and $168,000, respectively. The estimated fair value of debt was calculated using a discounted cash flow technique that incorporates a market interest yield curve with adjustments for duration and risk profile. These inputs to this calculation are deemed to be Level 2 inputs. The Company recognized its credit rating in determining the yield curve and did not factor in third-party credit enhancements including the letter of credit on the 2008 Pennsylvania Economic Development Financing Authority Series A issue.

Customers' advances for construction and note receivable had carrying values at March 31, 2022 of $13,161 and $255, respectively. At December 31, 2021, customers' advances for construction and note receivable had carrying values of $12,820 and $255, respectively. The relative fair values of these amounts cannot be accurately estimated since the timing of future payment streams is dependent upon several factors, including new customer connections, customer consumption levels and future rate increases.

7. Commitments

The Company has committed to capital expenditures of approximately $39,205 to armor and replace the spillway of the Lake Williams dam, all of which remains to be incurred as of March 31, 2022. The Company may make additional commitments for this project in the future.

The Company entered into a consent order agreement with the Pennsylvania Department of Environmental Protection in December 2016 after the Company determined it exceeded the action level for lead as established by the Lead and Copper Rule, or LCR, issued by the U.S. Environmental Protection Agency. The Company did not have an exceedance in any subsequent compliance test. Under the agreement, the Company successfully completed its commitment to exceed the LCR replacement schedule by replacing all the known company-owned lead service lines within four years from the agreement. Any additional company-owned lead service lines that are discovered will be replaced and included in utility plant but are not expected to have a material impact on the financial position of the Company.

The Company was granted approval by the Pennsylvania Public Utility Commission, or PPUC, to modify its tariff to include the cost of the annual replacement of up to 400 lead customer-owned service lines over nine years from the agreement. The tariff modification allows the Company to replace customer-owned service lines at its own initial cost. The Company will record the costs as a regulatory asset to be recovered in future base rates to customers, over a four-year period. The cost for the customer-owned lead service line replacements was approximately $1,401 and $1,351 through March 31, 2022 and December 31, 2021, respectively, and is included as a regulatory asset. Based on its experience, the Company estimates that lead customer-owned service lines replacements will cost $1,450. This estimate is subject to adjustment as more facts become available.

8. Revenue

The following table shows the Company's revenues disaggregated by service and customer type.

	Three Months Ended March 31	
	2022	**2021**
Water utility service:		
Residential	$8,447	$8,145
Commercial and industrial	3,588	3,310
Fire protection	836	806
Wastewater utility service:		
Residential	929	471
Commercial and industrial	109	79
Billing and revenue collection services	130	119
Collection services	59	-
Other revenue	14	10
Total Revenue from Contracts with Customers	14,112	12,940
Rents from regulated property	128	141
Total Operating Revenue	$14,240	$13,081

Utility Service

The Company provides utility service as a distinct and single performance obligation to each of its water and wastewater customers. The transaction price is detailed in the tariff pursuant to an order by the PPUC and made publicly available. There is no variable consideration and no free service, special rates, or subnormal charges to any customer. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied over time through the continuous provision of utility service through a stand-ready obligation to perform and the transfer of water or the collection of wastewater through a series of distinct transactions that are identical in nature and have the same pattern of transfer to the customer. The Company uses an output method to recognize the utility service revenue over time. The stand-ready obligation is recognized through the passage of time in the form of a fixed charge and the transfer of water or the collection of wastewater is recognized at a per unit rate based on the actual or estimated flow through the meter. Each customer is invoiced every month and the invoice is due within twenty days. The utility service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period. A contract asset for unbilled revenue is recognized for the passage of time and the actual or estimated usage from the latest meter reading to the end of the accounting period. The methodology is standardized and consistently applied to reduce bias and the need for judgment.

Billing and Revenue Collection Service

The Company provides billing and revenue collection service as distinct performance obligations to two municipalities within the service territory of the Company. The municipalities provide wastewater service to their residents and the Company acts as the billing and revenue collection agent for the municipalities. The transaction price is a fixed amount per bill prepared as established in the contract. There is no variable consideration. Due to the fact that both the billing performance obligation and the revenue collection performance obligation are materially complete by the end of the reporting period, the Company does not allocate the transaction price between the two performance obligations. The performance obligations are satisfied at a point in time when the bills are sent as the municipalities receive all the benefits and bears all of the risk of non-collection at that time. Each municipality is invoiced when the bills are complete and the invoice is due within thirty days. The billing and revenue collection service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period.

Collection Service

The Company provides collection service as a distinct and single performance obligation to several municipalities within the service territory of the Company. The municipalities provide wastewater service to their residents. If those residents are delinquent in paying for their wastewater service, the municipalities request that the Company post for and shut off the supply of water to the premises of those residents. When the resident is no longer delinquent, the Company will restore water service to the premises. The transaction price for each posting, each shut off, and each restoration is a fixed amount as established in the contract. There is no variable consideration. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied at a point in time when the posting, shut off, or restoration is completed as the municipalities receive all the benefits in the form of payment or no longer providing wastewater service. Each municipality is invoiced periodically for the posting, shut offs, and restorations that have been completed since the last billing and the invoice is due within thirty days. The collection service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period. A contract asset for unbilled revenue is recognized for postings, shut offs, and restorations that have been completed from the last billing to the end of the accounting period.

Service Line Protection Plan

The Company provides service line protection as a distinct and single performance obligation to current water customers that choose to participate. The transaction price is detailed in the plan’s terms and conditions and made publicly available. There is no variable consideration. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied over time through the continuous provision of service line protection through a stand-ready obligation to perform. The Company uses an output method to recognize the service line protection revenue over time. The stand-ready obligation is recognized through the passage of time. A customer has a choice to prepay for an entire year or to pay in advance each month. The service line protection plan has no returns or extended warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no material performance obligations remain unsatisfied as of the end of the reporting period.

9. Rate Matters

From time to time, the Company files applications for rate increases with the PPUC and is granted rate relief as a result of such requests. Most recently, the PPUC authorized an increase in rates effective March 1, 2019. The company anticipates that it will file a rate increase request in 2022.

The PPUC permits water utilities to collect a distribution system improvement charge, or DSIC. The DSIC allows the Company to add a charge to customers' bills for qualified replacement costs of certain infrastructure without submitting a rate filing. This surcharge mechanism typically adjusts periodically based on additional qualified capital expenditures completed or anticipated in a future period. The DSIC is capped at 5% of base rates and is reset to zero when new base rates that reflect the costs of those additions become effective or when a utility's earnings exceed a regulatory benchmark. The Company's earnings are currently below the regulatory benchmark allowing the Company to collect DSIC. The DSIC provided revenues of $404 and $0 for the three months ended March 31, 2022 and 2021, respectively.

10. Pensions

Components of Net Periodic Pension Cost

	Three Months Ended March 31	
	2022	**2021**
Service cost	$256	$271
Interest cost	334	302
Expected return on plan assets	(1,055)	(913)
Amortization of actuarial loss	-	121
Amortization of prior service cost	(3)	(3)
Rate-regulated adjustment	1,043	797
Net periodic pension expense	$575	$575

Pension service cost is recorded in operating expenses. All other components of net periodic pension cost are recorded as other pension costs in other income (expenses).

Employer Contributions

The Company previously disclosed in its financial statements for the year ended December 31, 2021 that it expected to contribute $2,300 to its pension plans in 2022. For the three months ended March 31, 2022, contributions of $575 have been made. The Company expects to contribute the remaining $1,725 during the final three quarters of 2022.

11. Stock-Based Compensation

On May 2, 2016, the Company's stockholders approved The York Water Company Long-Term Incentive Plan, or LTIP. The LTIP was adopted to provide the incentive of long-term stock-based awards to officers, directors, and key employees. The LTIP provides for the granting of nonqualified stock options, incentive stock options, stock appreciation rights, performance restricted stock grants and units, restricted stock grants and units, and unrestricted stock grants. A maximum of 100,000 shares of common stock may be issued under the LTIP over the ten-year life of the plan. The maximum number of shares of common stock subject to awards that may be granted to any participant in any one calendar year is 2,000. Shares of common stock issued under the LTIP may be treasury shares or authorized but unissued shares. The LTIP will be administered by the Compensation Committee of the Board, or the full Board, provided that the full Board will administer the LTIP as it relates to awards to non-employee directors of the Company. The Company filed a registration statement with the Securities and Exchange Commission on May 11, 2016 covering the offering of stock under the LTIP. The LTIP was effective on July 1, 2016.

The restricted stock awards provide the grantee with the rights of a shareholder, including the right to receive dividends and to vote such shares, but not the right to sell or otherwise transfer the shares during the restriction period. As a result, the awards are included in common shares outstanding on the balance sheet. Restricted stock awards result in compensation expense valued at the fair market value of the stock on the date of the grant and are amortized ratably over the restriction period.

No long-term stock-based awards were granted under the LTIP during the three months ended March 31, 2022. No previously issued restricted stock awards vested or were forfeited during the three months ended March 31, 2022. For the three months ended March 31, 2022 and 2021, the statement of income includes $45 and $28 of stock-based compensation, respectively, and related recognized tax benefits of $13 and $8, respectively. Total stock-based compensation related to nonvested awards not yet recognized is $413 which will be recognized over the remaining three year vesting period.

12. Income Taxes

Under the Internal Revenue Service tangible property regulations, or TPR, the Company is permitted to deduct the costs of certain asset improvements that were previously being capitalized and depreciated for tax purposes as an expense on its income tax return. This ongoing deduction results in a reduction in the effective income tax rate, a net reduction in income tax expense, and a reduction in the amount of income taxes currently payable. It also results in increases to deferred tax liabilities and regulatory assets representing the appropriate book and tax basis difference on capital additions.

The Company's effective tax rate was (6.4)% and 7.3% for the three months ended March 31, 2022 and 2021, respectively. The lower effective tax rate is primarily due to higher deductions from the TPR. The effective tax rate will vary depending on the level of eligible asset improvements expensed for tax purposes under TPR each period.

13. Subsequent Event

On April 5, 2022, the Company closed an underwritten public offering of 975,600 shares of its common stock, with an offering price of $41 per share. On April 7, 2022, the Company closed on the full exercise of the underwriter's option to purchase an additional 146,340 shares of its common stock at the same price. Janney Montgomery Scott LLC was the underwriter in the offering. The Company received net proceeds in the offering, after deducting offering expenses and underwriters' discounts and commissions, of approximately $44,000. The net proceeds were used to repay the Company's borrowings under its line of credit agreement incurred to fund capital expenditures and acquisitions, and for general corporate purposes. The proceeds and new shares issued have not been reflected in the financial statements for the period ended March 31, 2022.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (In thousands of dollars, except per share amounts)

Forward-looking Statements

Certain statements contained in this report on Form 10-Q constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. Words such as "may," "should," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify forward-looking statements. These forward-looking statements include certain information relating to the Company’s business strategy; statements including, but not limited to:

- the amount and timing of rate changes and other regulatory matters including the recovery of costs recorded as regulatory assets;
- expected profitability and results of operations;
- trends;
- goals, priorities and plans for, and cost of, growth and expansion;
- strategic initiatives;
- availability of water supply;
- water usage by customers; and
- the ability to pay dividends on common stock and the rate of those dividends.

The forward-looking statements in this report reflect what the Company currently anticipates will happen. What actually happens could differ materially from what it currently anticipates will happen. The Company does not intend to make a public announcement when forward-looking statements in this report are no longer accurate, whether as a result of new information, what actually happens in the future or for any other reason. Important matters that may affect what will actually happen include, but are not limited to:

- changes in weather, including drought conditions or extended periods of heavy rainfall;
- natural disasters, including pandemics such as the current outbreak of the novel strain of coronavirus known as “COVID-19” and the effectiveness of the Company’s pandemic plans;
- levels of rate relief granted;
- the level of commercial and industrial business activity within the Company's service territory;
- construction of new housing within the Company's service territory and increases in population;
- changes in government policies or regulations, including the tax code;
- the ability to obtain permits for expansion projects;
- material changes in demand from customers, including the impact of conservation efforts which may reduce the demand of customers for water;
- changes in economic and business conditions, including interest rates;
- loss of customers;
- changes in, or unanticipated, capital requirements;
- the impact of acquisitions;
- changes in accounting pronouncements;
- changes in the Company’s credit rating or the market price of its common stock; and
- the ability to obtain financing.

General Information

The primary business of the Company is to impound, purify to meet or exceed safe drinking water standards and distribute water. The Company also owns and operates three wastewater collection systems and five wastewater collection and treatment systems. The Company operates within its franchised water and wastewater territory, which covers portions of 51 municipalities within three counties in south-central Pennsylvania. The Company is regulated by the Pennsylvania Public Utility Commission, or PPUC, for both water and wastewater in the areas of billing, payment procedures, dispute processing, terminations, service territory, debt and equity financing and rate setting. The Company must obtain PPUC approval before changing any practices associated with the aforementioned areas.

Water service is supplied through the Company's own distribution system. The Company obtains the bulk of its water supply from both the South Branch and East Branch of the Codorus Creek, which together have an average daily flow of 73.0 million gallons. This combined watershed area is approximately 117 square miles. The Company has two reservoirs, Lake Williams and Lake Redman, which together hold up to approximately 2.2 billion gallons of water. The Company supplements its reservoirs with a 15-mile pipeline from the Susquehanna River to Lake Redman which provides access to an additional supply of 12.0 million gallons of untreated water per day. The Company also owns nine wells which are capable of providing a safe yield of approximately 597,000 gallons per day to supply water to the customers of its satellite systems in Adams County. As of March 31, 2022, the Company's average daily availability was 35.6 million gallons, and average daily consumption was approximately 19.9 million gallons. The Company's service territory had an estimated population of 204,000 as of December 31, 2021. Industry within the Company's service territory is diversified, manufacturing such items as fixtures and furniture, electrical machinery, food products, paper, ordnance units, textile products, air conditioning systems, laundry detergent, barbells, and motorcycles.

The Company's water business is somewhat dependent on weather conditions, particularly the amount and timing of rainfall. Revenues are particularly vulnerable to weather conditions in the summer months. Prolonged periods of hot and dry weather generally cause increased water usage for watering lawns, washing cars, and keeping golf courses and sports fields irrigated. Conversely, prolonged periods of dry weather could lead to drought restrictions from governmental authorities. Despite the Company’s adequate water supply, customers may be required to cut back water usage under such drought restrictions which would negatively impact revenues. The Company has addressed some of this vulnerability by instituting minimum customer charges which are intended to cover fixed costs of operations under all likely weather conditions.

The Company’s business does not require large amounts of working capital and is not dependent on any single customer or a very few customers for a material portion of its business. Increases in revenues are generally dependent on the Company’s ability to obtain rate increases from the PPUC in a timely manner and in adequate amounts and to increase volumes of water sold through increased consumption and increases in the number of customers served. The Company continuously looks for water and wastewater acquisition and expansion opportunities both within and outside its current service territory as well as additional opportunities to enter into bulk water contracts with municipalities and other entities to supply water.

The Company has agreements with several municipalities to provide sewer billing and collection services. The Company also has a service line protection program on a targeted basis in order to further diversify its business. Under this optional program, customers pay a fixed monthly fee, and the Company will repair or replace damaged customer service lines, as needed, subject to an annual maximum dollar amount. The Company continues to review and consider opportunities to expand both initiatives.

Impact of COVID-19

On March 11, 2020, the World Health Organization characterized an outbreak of a novel strain of coronavirus ("COVID-19") as a pandemic. The Company has taken steps, consistent with directions from federal, state, and local authorities, to mitigate known risks with the health and safety of its employees and customers as its first priority.

The Company is an essential, life-sustaining business and has continued normal operations. Although most restrictions have been lifted, the Company continues to monitor guidance from federal, state, and local authorities. Any new restrictions are not expected to materially impede the Company's ability to complete its planned capital expenditures or acquisitions. The Company has not experienced any material supply chain disruptions. The Company has been informed of longer lead times for some items, although this does not impact daily operating supplies. The Company maintains an adequate inventory of critical repair parts which are available as needed. The Company continues to maintain relationships with its vendors to identify issues in a timely manner while also seeking out additional vendor relationships to diversify its supply chain. The Company has addressed the longer lead times by placing orders proactively with its vendors to align with current lead times. If the delays increase materially or if certain materials and supplies become unavailable, the Company may re-prioritize some of its capital projects or experience higher operating expenses or capital costs. The Company believes it has sufficient liquidity and access to the capital markets if needed.

To date, there has been no material impact on the Company's workforce, operations, financial performance, liquidity, or supply chain as a result of COVID-19. However, the ultimate duration and severity of the pandemic or its effects on the economy, the capital and credit markets, or the Company's workforce, customers, and suppliers, as well as governmental and regulatory responses, are uncertain.

Results of Operations

Three Months Ended March 31, 2022 Compared
With Three Months Ended March 31, 2021

Net income for the first quarter of 2022 was $3,859, an increase of $154, or 4.2%, from net income of $3,705 for the same period of 2021. The primary contributing factors to the increase were higher operating revenues and lower income taxes, which were partially offset by higher expenses.

Operating revenues for the first quarter of 2022 increased $1,159, or 8.9%, from $13,081 for the three months ended March 31, 2021 to $14,240 for the corresponding 2022 period. The increase was primarily due to growth in the customer base and revenues from the distribution system improvement charge, or DSIC, allowed by the PPUC of $404. The average number of wastewater customers served in 2022 increased as compared to 2021 by 2,171 customers, from 3,295 to 5,466 customers, primarily due to the Company beginning to operate the West Manheim Township wastewater collection system on January 3, 2022. The average number of water customers served in 2022 increased as compared to 2021 by 586 customers, from 69,409 to 69,995 customers. Total per capita consumption for 2022 was approximately 1.9% higher than the same period of last year. For the remainder of the year, the Company expects revenues to increase due to an increase in the number of water and wastewater customers from acquisitions and growth within the Company's service territory, the DSIC, and higher summer demand. The duration and severity of the COVID-19 pandemic including any resulting economic slowdown or changes in consumption patterns could impact results. Other regulatory actions and weather patterns could also impact results.

Operating expenses for the first quarter of 2022 increased $1,215, or 15.7%, from $7,727 for the first quarter of 2021 to $8,942 for the corresponding 2022 period. The increase was primarily due to higher expenses of approximately $306 for depreciation, $300 for wastewater treatment, $199 for distribution system maintenance, $141 for wages, and $101 for outside services. Other expenses increased by a net of $168. For the remainder of the year, the Company expects depreciation expense to continue to rise due to additional investment in utility plant, and other expenses to increase at a moderate rate as costs to treat water and wastewater, and to maintain and extend the distribution system, continue to rise.

Interest on debt for the first quarter of 2022 increased $83, or 6.8%, from $1,214 for the first quarter of 2021 to $1,297 for the corresponding 2022 period. The increase was primarily due to an increase in long-term debt outstanding. The average debt outstanding under the lines of credit was $32,524 for the first quarter of 2022 and $6,821 for the first quarter of 2021. The weighted average interest rate on the lines of credit was 1.30% for the quarters ended March 31, 2022 and 2021. Interest expense for the remainder of the year is expected to decrease after the line of credit was repaid upon the completion of the underwritten common stock offering in April 2022.

Allowance for funds used during construction increased $33, from $262 in the first quarter of 2021 to $295 in the corresponding 2022 period due to a higher volume of eligible construction. Allowance for funds used during construction for the remainder of the year is expected to increase based on a projected increase in the amount of eligible construction.

Other income (expenses), net for the first quarter of 2022 reflects increased expenses of $248 as compared to the same period of 2021. Higher charitable contributions of approximately $260 were the primary reason for the increase. Other expenses decreased by a net of $12. For the remainder of the year, other income (expenses) will be largely determined by the change in market returns and discount rates for retirement programs and related assets.

Income taxes for the first quarter of 2022 decreased $523, or 179.1%, compared to the same period of 2021 primarily due to higher deductions from the Internal Revenue Service, or IRS, tangible property regulations, or TPR. The Company’s effective tax rate was (6.4)% for the first quarter of 2022 and 7.3% for the first quarter of 2021. The Company's effective tax rate for the remainder of 2022 will largely be determined by the level of eligible asset improvements expensed for tax purposes under TPR each period.

Rate Matters

See Note 9 to the financial statements included herein for a discussion of rate matters.

Effective April 1, 2022, the Company's tariff included a distribution system improvement charge on revenues of 4.15%.

The Company expects to file a rate increase request in 2022.

Acquisitions and Growth

On April 28, 2022, the Company signed an agreement to purchase the water assets and wastewater collection and treatment assets of Conewago Industrial Park Water & Sewer Company in Donegal Township, Lancaster County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the first quarter of 2023 at which time the Company will add approximately 30 commercial and industrial water and wastewater customers.

On July 30, 2021, the Company signed an agreement to purchase the water assets of Scott Water Company in Greene Township, Franklin County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in 2022 at which time the Company will add approximately 25 water customers.

On April 22, 2021, the Company signed an agreement to purchase the water assets and wastewater collection and treatment assets jointly owned by Letterkenny Industrial Development Authority and Franklin County General Authority in Letterkenny and Greene Townships, Franklin County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in 2022 at which time the Company will add approximately 90 water and wastewater customers.

On May 27, 2020, the Company signed an agreement to purchase the water assets and wastewater collection and treatment assets of Country View Manor Community, LLC in Washington Township, York County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in 2022 at which time the Company will add approximately 50 water and wastewater customers.

On October 8, 2013, the Company signed an agreement to purchase the wastewater collection and treatment assets of SYC WWTP, L.P. in Shrewsbury and Springfield Townships, York County, Pennsylvania. On July 1, 2020, the Company signed an agreement to purchase the Albright Trailer Park water assets and wastewater collection assets of R.T. Barclay, Inc. in Springfield Township, York County, Pennsylvania. Completion of the acquisitions is contingent upon receiving approval from all required regulatory authorities. Closing is expected in 2022, at which time the Company will add approximately 90 combined wastewater customers and approximately 60 water customers through an interconnection with its current water distribution system. The wastewater customers of the Albright Trailer Park are currently served by SYC WWTP, L.P. and the water customers are currently served by the Company, each through a single customer connection to the park.

In total, these acquisitions are expected to be immaterial to Company results. The Company is also pursuing other bulk water contracts and acquisitions in and around its service territory to help offset any further declines in per capita water consumption and to grow its business.

On May 10, 2017, the Company signed an emergency interconnect agreement with Dallastown-Yoe Water Authority. The effectiveness of this agreement is contingent upon receiving approval from all required regulatory authorities. Approval is expected to be granted in 2022 at which time the Company will begin construction of a water main extension to a single point of interconnection and either supply a minimum agreed upon amount of water to the authority, receive a payment in lieu of water, or provide water during an emergency, at current tariff rates.

Capital Expenditures

For the three months ended March 31, 2022, the Company invested $7,504 in construction expenditures for routine items and wastewater treatment plant construction as well as various replacements and improvements to infrastructure. The Company was able to fund construction expenditures using internally-generated funds, line of credit borrowings, proceeds from its stock purchase plans and customer advances and contributions from developers, municipalities, customers, or builders.

The Company anticipates construction expenditures for the remainder of 2022 of approximately $35,300 exclusive of any potential acquisitions not yet approved. In addition to routine transmission and distribution projects, a portion of the anticipated expenditures will be for armoring and replacing the spillway of the Lake Williams dam, additional main extensions, and various replacements and improvements to infrastructure. The Company intends to use primarily internally-generated funds for its anticipated construction and fund the remainder through cash generated from the underwritten common stock offering, line of credit borrowings, proceeds from its stock purchase plans and customer advances and contributions. Customer advances and contributions are expected to account for between 5% and 10% of funding requirements during the remainder of 2022. The Company believes it will have adequate credit facilities and access to the capital markets, if necessary, to fund anticipated capital and acquisition expenditures in the remainder of 2022.

Liquidity and Capital Resources

Cash

The Company manages its cash through a cash management account that is directly connected to its line of credit. Excess cash generated automatically pays down outstanding borrowings under the line of credit arrangement. If there are no outstanding borrowings, the cash is used as an earnings credit to reduce banking fees. Likewise, if additional funds are needed beyond what is generated internally for payroll, to pay suppliers, to fund capital expenditures, or to pay debt service, funds are automatically borrowed under the line of credit. As of March 31, 2022, the Company borrowed $34,406 on its line of credit and incurred a cash overdraft on its cash management account of $593, which was recorded in accounts payable. Upon completion of the underwritten common stock offering in April 2022, the Company repaid its line of credit and generated a cash balance with the remaining portion of the proceeds. The Company expects the cash balance to be fully utilized in 2022, after which the cash management facility connected to the line of credit is expected to provide the necessary liquidity and funding for the Company's operations, capital expenditures, and acquisitions for the foreseeable future.

Accounts Receivable

The accounts receivable balance tends to follow the change in revenues but is also affected by the timeliness of payments by customers and the level of the reserve for doubtful accounts. Accounts receivable – customers for the three months ended March 31, 2022 were consistent with the end of 2021. A reserve is maintained at a level considered adequate to provide for losses that can be reasonably anticipated based on inactive accounts with outstanding balances. Management periodically evaluates the adequacy of the reserve based on past experience, agings of the receivables, adverse situations that may affect a customer's ability to pay, current economic conditions, and other relevant factors. During 2022, management's assessment included consideration of the COVID-19 pandemic along with past trends during times of economic instability and regulations from the PPUC regarding customer collections, including the aging of balances in payment agreements, and determined its allowance for doubtful accounts should remain elevated compared to historical norms. If the status of these factors deteriorates, the Company may incur additional expenses for uncollectible accounts and experience a reduction in its internally-generated funds.

Internally-generated Funds

The amount of internally-generated funds available for operations and construction depends on the Company's ability to obtain timely and adequate rate relief, changes in regulations including taxes, customers' water usage, weather conditions, customer growth and controlled expenses. During the first three months of 2022, the Company generated $5,333 internally from operations as compared to the $6,597 it generated during the first three months of 2021. The decrease was primarily due to the prior year decrease in accounts receivable – customers due to a strengthening in the timeliness of payments not repeated in the current year.

Common Stock

On April 5, 2022, the Company closed an underwritten public offering of 975,600 shares of its common stock, with an offering price of $41 per share. On April 7, 2022, the Company closed on the full exercise of the underwriter's option to purchase an additional 146,340 shares of its common stock at the same price. Janney Montgomery Scott LLC was the underwriter in the offering. The Company received net proceeds in the offering, after deducting offering expenses and underwriters' discounts and commissions, of approximately $44,000. The net proceeds were used to repay the Company's borrowings under its line of credit agreement incurred to fund capital expenditures and acquisitions, and for general corporate purposes.

Common stockholders' equity as a percent of the total capitalization was 50.0% as of March 31, 2022, compared with 50.6% as of December 31, 2021. Based on the equity percentage falling to fifty percent, the Company completed the underwritten common stock offering, increasing equity as a percentage of total capitalization. It is the Company's general intent to target a ratio between fifty and fifty-four percent.

The Company has the ability to issue approximately $4,000 of additional shares of its common stock or debt securities remaining under an effective "shelf" Registration Statement on Form S-3 on file with the Securities and Exchange Commission subject to market conditions at the time of any such offering.

Credit Line
Historically, the Company has borrowed under its line of credit before refinancing with long-term debt or equity capital. As of March 31, 2022, the Company maintained an unsecured line of credit in the amount of $50,000 at an interest rate of LIBOR plus 1.05% with an unused commitment fee and an interest rate floor. The Company had $34,406 in outstanding borrowings under its line of credit as of March 31, 2022. The interest rate on the line of credit borrowings as of March 31, 2022 was 1.30%. Upon completion of the underwritten common stock offering in April 2022, the Company repaid its line of credit. The Company expects to extend the maturity for this line of credit into 2024 under similar terms and conditions.

The Company has taken steps to manage the risk of reduced credit availability. It has established a committed line of credit with a 2-year revolving maturity that cannot be called on demand. There is no guarantee that the Company will be able to obtain sufficient lines of credit with favorable terms in the future. If the Company is unable to obtain sufficient lines of credit or to refinance its line of credit borrowings with long-term debt or equity when necessary, it may have to eliminate or postpone capital expenditures. Management believes the Company will have adequate capacity under its current line of credit to meet anticipated financing needs throughout 2022.

Long-term Debt
The Company's loan agreements contain various covenants and restrictions. Management believes it is currently in compliance with all of these restrictions. See Note 6 to the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 for additional information regarding these restrictions.

The Company's total long-term debt as a percentage of the total capitalization, defined as total common stockholders' equity plus total long-term debt, was 50.0% as of March 31, 2022, compared with 49.4% as of December 31, 2021. Based on the debt percentage reaching fifty percent, the Company completed an underwritten common stock offering in April 2022 and repaid its line of credit, decreasing long-term debt as a percentage of total capitalization. A debt to total capitalization ratio between forty-six and fifty percent has historically been acceptable to the PPUC in rate filings.

The variable rate line of credit and the interest rate swap of the Company use the London Interbank Offering Rate ("LIBOR") as a benchmark for establishing the rates. The United Kingdom's Financial Conduct Authority (UK FCA), which regulates LIBOR, has previously announced that it intends to stop encouraging or compelling banks to submit rates for the calculation of LIBOR rates after 2021. On January 4, 2022, the UK FCA announced that certain dollar denominated LIBOR settings, including the 1-month setting used by the Company's variable line of credit and interest rate swap, would be calculated through June 30, 2023. This indicates that the continuation of LIBOR on the current basis is not guaranteed after that date and, based on the foregoing, it appears likely that LIBOR will be discontinued or modified. The Company's line of credit agreement explicitly states that another index may be used if LIBOR is discontinued or otherwise unavailable. The Company believes that it is implicit in its other agreements that a successor rate to LIBOR may be used. The Company is not yet aware what successor rate will be used and therefore cannot estimate the impact to the Company's financial position, results of operations and cash flows, but it could include an increase in the cost of the variable rate indebtedness.

Income Taxes, Deferred Income Taxes and Uncertain Tax Positions
Under the Internal Revenue Service TPR, the Company is permitted to deduct the costs of certain asset improvements that were previously being capitalized and depreciated for tax purposes as an expense on its income tax return. This ongoing deduction results in a reduction in the effective income tax rate, a net reduction in income tax expense, and a reduction in the amount of income taxes currently payable. It also results in increases to deferred tax liabilities and regulatory assets representing the appropriate book and tax basis difference on capital additions. The Company expects to continue to expense these asset improvements in the future.

The Company's effective tax rate will largely be determined by the level of eligible asset improvements expensed for tax purposes that would have been capitalized for tax purposes prior to the implementation of TPR.

The Company has a substantial deferred income tax asset primarily due to the excess accumulated deferred income taxes on accelerated depreciation from the 2017 Tax Act and the differences between the book and tax balances of the customers' advances for construction and contributions in aid of construction and deferred compensation plans. The Company does not believe a valuation allowance is required due to the expected generation of future taxable income during the periods in which those temporary differences become deductible.

The Company has seen an increase in its deferred income tax liability amounts primarily as a result of the accelerated depreciation deduction available for federal tax purposes which creates differences between book and tax depreciation expense. The Company expects this trend to continue as it makes significant investments in capital expenditures subject to accelerated depreciation or TPR.

The Company has determined there are no uncertain tax positions that require recognition as of March 31, 2022.

Credit Rating

On October 8, 2021, Standard & Poor's affirmed the Company's credit rating at A-, with a stable outlook and adequate liquidity. The Company's ability to maintain its credit rating depends, among other things, on adequate and timely rate relief, which it has been successful in obtaining, its ability to fund capital expenditures in a balanced manner using both debt and equity and its ability to generate cash flow. The Company's objectives are to continue to maximize its funds provided by operations and maintain a strong capital structure in order to be able to attract capital.

Physical and Cyber Security

The Company maintains security measures at its facilities, and collaborates with federal, state, and local authorities and industry trade associations regarding information on possible threats and security measures for water and wastewater utility operations. The costs incurred are expected to be recoverable in water and wastewater rates and are not expected to have a material impact on its business, financial condition, or results of operations.

The Company relies on information technology systems in connection with the operation of the business, especially with respect to customer service, billing, accounting, and in some cases, the monitoring and operation of treatment, storage, and pumping facilities. In addition, the Company relies on these systems to track utility assets and to manage maintenance and construction projects, materials and supplies, and human resource functions. The information technology systems may be vulnerable to damage or interruption from cyber security attacks or other cyber-related events, including, but not limited to, power loss, computer systems failures, internet, telecommunications or data network failures, physical and electronic loss of data, computer viruses, intentional security breaches, hacking, denial of service actions, misappropriation of data, and similar events. In some cases, administration of certain functions may be outsourced to third-party service providers that could also be targets of cyber security attacks. A loss of these systems, or major problems with the operation of these systems, could harm the business, financial condition, and results of operations of the Company through the loss or compromise of customer, financial, employee, or operational data, disruption of billing, collections or normal field service activities, disruption of electronic monitoring and control of operational systems, and delays in financial reporting and other normal management functions.

Possible impacts associated with a cyber security attack or other events may include remediation costs related to lost, stolen, or compromised data, repairs to data processing systems, increased cyber security protection costs, adverse effects on our compliance with regulatory and environmental laws and regulation, including standards for drinking water, litigation, and reputational damage.

The Company has implemented processes, procedures, and controls to prevent or limit the effect of these possible events, and maintains insurance to help defray costs associated with cyber security attacks. The Company has not experienced a material impact on business or operations from these attacks. Although the Company does not believe its systems are at a materially greater risk of cyber security attacks than other similar organizations and despite the implementation of robust security measures, the Company cannot provide assurance that the insurance will fully cover the costs of a cyber security event, and its robust security measures do not guarantee that reputation and financial results will not be adversely affected by such an incident.

Environmental Matters

The Company entered into a consent order agreement with the Pennsylvania Department of Environmental Protection in December 2016 after the Company determined it exceeded the action level for lead as established by the Lead and Copper Rule, or LCR, issued by the U.S. Environmental Protection Agency. The Company did not have an exceedance in any subsequent compliance test. Under the agreement, the Company successfully completed its commitment to exceed the LCR replacement schedule by replacing all the known company-owned lead service lines within four years from the agreement. Any additional company-owned lead service lines that are discovered will be replaced and included in utility plant but are not expected to have a material impact on the financial position of the Company.

The Company was granted approval by the Pennsylvania Public Utility Commission, or PPUC, to modify its tariff to include the cost of the annual replacement of up to 400 lead customer-owned service lines over nine years from the agreement. The tariff modification allows the Company to replace customer-owned service lines at its own initial cost. The Company will record the costs as a regulatory asset to be recovered in future base rates to customers, over a four-year period. The cost for the customer-owned lead service line replacements was approximately $1,401 and $1,351 through March 31, 2022 and December 31, 2021, respectively, and is included as a regulatory asset. Based on its experience, the Company estimates that lead customer-owned service lines replacements will cost $1,450. This estimate is subject to adjustment as more facts become available.

Critical Accounting Estimates

The methods, estimates, and judgments the Company used in applying its accounting policies have a significant impact on the results reported in its financial statements. The Company's accounting policies require management to make subjective judgments because of the need to make estimates of matters that are inherently uncertain. The Company's most critical accounting estimates include regulatory assets and liabilities, revenue recognition, accounting for its pension plans, and income taxes. There has been no significant change in accounting estimates or the method of estimation during the quarter ended March 31, 2022.

Off-Balance Sheet Arrangements

The Company does not use off-balance sheet transactions, arrangements or obligations that may have a material current or future effect on financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenues or expenses. The Company does not use securitization of receivables or unconsolidated entities. For risk management purposes, the Company uses a derivative financial instrument, an interest rate swap agreement discussed in Note 5 to the financial statements included herein. The Company does not engage in trading or other risk management activities, does not use other derivative financial instruments for any purpose, has no guarantees and does not have material transactions involving related parties.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's President and Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, the Company's President and Chief Executive Officer along with the Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report are effective such that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to the Company's management, including the President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

No change in the Company's internal control over financial reporting occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 6. **Exhibits.**

Exhibit No.	Description
3	Amended and Restated Articles of Incorporation. Incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 4, 2010.
3.1	Amended and Restated By-Laws. Incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 26, 2012.
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE YORK WATER COMPANY

Date: May 3, 2022	/s/ Joseph T. Hand Joseph T. Hand Principal Executive Officer
Date: May 3, 2022	/s/ Matthew E. Poff Matthew E. Poff Principal Financial and Accounting Officer

EXHIBIT 31.1
CERTIFICATIONS

I, Joseph T. Hand, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The York Water Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2022

/s/ Joseph T. Hand
Joseph T. Hand
President and CEO

EXHIBIT 31.2
CERTIFICATIONS

I, Matthew E. Poff, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The York Water Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2022

/s/ Matthew E. Poff
Matthew E. Poff
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The York Water Company (the "Company") on Form 10-Q for the period ending March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph T. Hand, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

THE YORK WATER COMPANY

Date: May 3, 2022

/s/ Joseph T. Hand
Joseph T. Hand
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The York Water Company (the “Company”) on Form 10-Q for the period ending March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew E. Poff, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

THE YORK WATER COMPANY

Date: May 3, 2022

/s/ Matthew E. Poff
Matthew E. Poff
Chief Financial Officer